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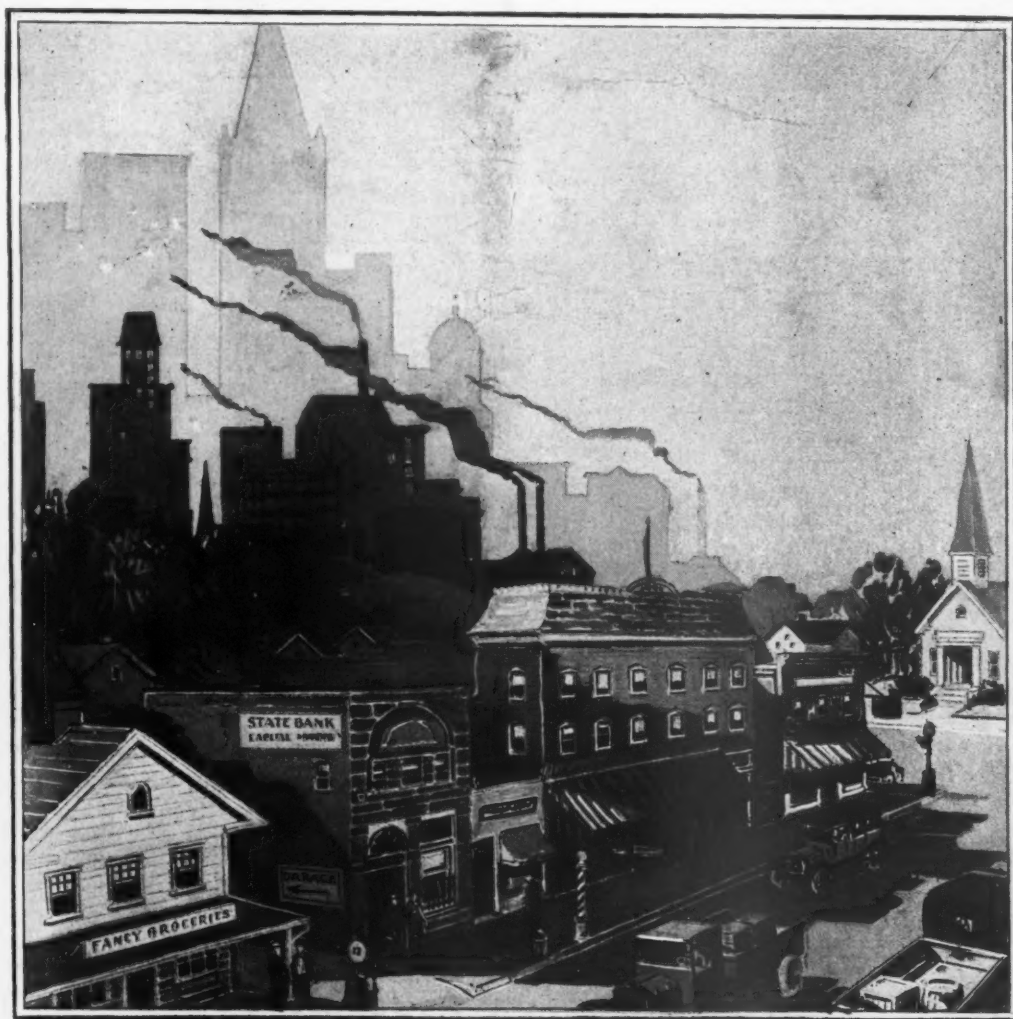
PF

October, 1925

CREDIT

MONTHLY

Credit Granting in Mexico—Page 7



Insurance Safeguards Credit
On Main Street and in the Metropolis

25 cents

\$3 a Year



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SPRINKLER LEAKAGE INSURANCE

“WATER—WATER—EVERYWHERE”—
the entire stock ruined—and
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of employees, and defective fittings are
a few of the many ever present dangers
that must be protected against by every
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Bankers and Credit Executives know
that Sprinkler Leakage will replace the
property loss and safeguard their in-
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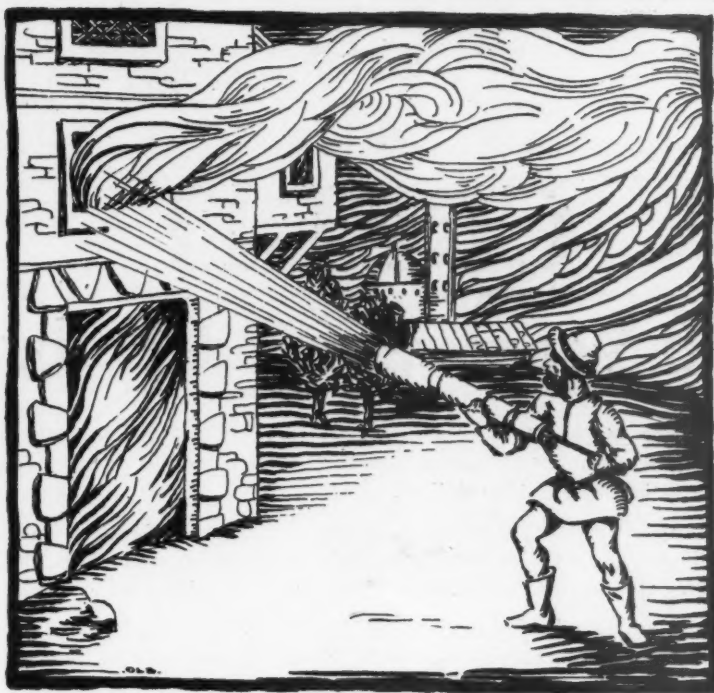
CHICAGO

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ATLANTA

DALLAS

OCTO



IT is a far cry from the fire syringe used by the Romans in 390 B. C. to the present day high powered fire fighting apparatus. But ever since the early history of Rome, governments have recognized the need of fire protective devices and fire prevention measures.

Today the campaign against fire is still being waged and in many cities and towns fire prevention work is showing marked effectiveness. To take an active part in Fire Prevention is to participate in a great economic cause. Over seventy-five percent of all the fires in the United States originate from preventable causes. The work of Fire Prevention is to reduce this percentage of fire waste to a minimum. There will always be losses by fire from unavoidable causes, but there is a compensation for such financial loss.

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SERVICE

CREDIT

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is a scientific, proved protection against bad debt losses. A bond in the American Company not only insures the credit man's house against abnormal, unforeseen losses, but it insures the credit man himself against risks and unpreventable mishaps, and constantly strengthens his standing as a credit executive. The efficient collection facilities it provides are a particularly appealing feature.

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OF NEW YORK J. F. M^cFADDEN, PRESIDENT

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New York St. Louis Chicago Cleveland Boston
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CREDIT MONTHLY

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, 41 Park Row, New York.

Rodman Gilder, Editor

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CAPITAL \$3,000,000

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Your broker can tell you why he is pleased
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Personal Effects Floater
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and all Subsidiary Fire Lines

QUEEN indemnity embraces that element
of *Quality* which represents the true
spirit of Insurance.

STATEMENT DECEMBER 31, 1924

TOTAL ASSETS	- - - -	\$19,442,403.90
LIABILITIES	- - - -	13,558,652.69
NET SURPLUS	- - - -	5,883,751.21
CAPITAL	- - - -	3,000,000.00
SURPLUS TO POLICYHOLDERS		8,883,751.21

Western Dept.
F. P. Hamilton, Mgr.
CHICAGO

Southern Dept.
S. Y. Tupper, Mgr.
ATLANTA

Pacific Coast Dept.
Rolla V. Watt, Mgr.
SAN FRANCISCO

Cuban Dept.
Trust Company of Cuba
HAVANA

DOWN \$ A WEEK DOWN \$ A WEEK DOWN \$ A WEEK

A Dollar Down And A Dollar A Week

THOUGHTFUL credit executives believe that instalment selling has gone too far in many lines. They consider this a serious matter. The author of this song evidently agrees with them, but refuses to take the matter seriously. Frank Moulan has recently broadcast this song with great success. There is some variation in the words he sings and he uses a melody of his own composition.—THE EDITOR.

1. A friend of mine bought a gramophone, For a dollar down and a dollar a week. This
2. Then he bought two brand new radio sets, For a dollar down and a dollar a week, And
3. Then he bought a house for his family, At a dollar down and a dollar a week, And

is the easiest graft I've known—This dollar down and a dollar a week. So he

dozen cartons of cigarets, For a dollar down and a dollar a week. Then he

when they got sick, the doctor's fee, Was a dollar down and a dollar a week. Then

bought a chair and a fountain pen, A run about car and a stove and then, A set

bought a ring that was fair to see For the lily-white hand of his bride to be; And

said his wife, "I must be free; These weekly payments are ruining me!" So she

of the "Lives of our Famous Men," For a dollar down and a dollar a week.

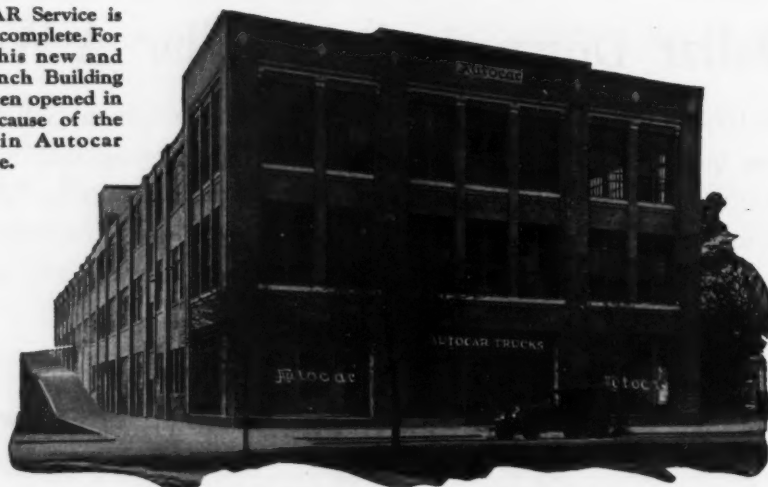
after the wedding, the minister's fee Was a dollar down and a dollar a week.

got a divorce. And the alimony fee Was a dollar down and a dollar a week.

DOWN \$ A WEEK DOWN \$ A WEEK DOWN \$ A WEEK

-

AUTOCAR Service is always complete. For example, this new and larger Branch Building has just been opened in Boston because of the increase in Autocar trucks there.



A motor truck is only as good as the service behind it

IN Boston or Chicago, New York or San Francisco, Philadelphia or Dallas; in fifty of the great business centers of the United States, there are factory branches owned and operated by The Autocar Company, ready to serve immediately and completely the tens of thousands of Autocar trucks that are constantly at work hauling the essentials of Life and Industry.

Sturdy Autocar Trucks are conspicu-

ously economical in operation and upkeep. But when a spare part is needed it is instantly available. When a repair job *has to be done*, a trained, responsible Autocar organization is there to do it at once.

In this nation-wide system of Direct Factory Branches, Autocar owners have a tangible, permanent assurance of the continuous earning power of their motor trucks.

The Autocar Company, Ardmore, Pa.

ESTABLISHED 1897

Direct Factory "Autocar Sales and Service" Branches or Affiliated Representatives in

*Albany	*Buffalo	*Detroit	*Memphis	*Paterson	*San Francisco	Tampa
*Allentown	*Camden	*Erie	*Miami	*Philadelphia	*San Jose	Trenton
*Altoona	*Charlotte	*Fall River	*Newark	*Pittsburgh	*Schenectady	*Washington
*Atlanta	*Chester	*Fresno	*New Bedford	*Providence	Scranton	West Palm Beach
*Atlantic City	*Chicago	*Indianapolis	*New Haven	*Reading	Shamokin	*Wheeling
*Baltimore	*Cleveland	*Jersey City	*New York	*Richmond	*Springfield	Wilkes-Barre
*Binghamton	*Columbus	*Lancaster	*Norfolk	*Rochester	*St. Louis	Williamsport
*Boston	*Dallas	*Lawrence	*Oakland	*Sacramento	*Stockton	*Wilmington
*Bronx	Denver	*Los Angeles	*Orlando	*San Diego	*Syracuse	*Worcester
*Brooklyn						York

* Indicates Direct Factory Branch

Autocar

gas and electric trucks

EITHER OR BOTH - AS YOUR WORK REQUIRES

CREDIT MONTHLY

Vol. XXVII

OCTOBER - 1925

No. 10

Credit Granting in Mexico

By Jack E. Hodges

Manager, Adjustment Bureau, El Paso Association of Credit Men

THE LAND of mystery; of speculation, mental and otherwise. Glimpses of surpassing luxury, and an abundance of miserable poverty. A gradually increasing contented middle class where but a few years ago were only the extremes of very rich and poor.

It is a land of infinite possibilities—of rumblings, 'grumbings' and indefiniteness. And underneath it all a whole people, rich in history, working surely but slowly toward a better day.

The mysteriousness of Mexico is not just the popular fancy some case hardened old-timers would have you believe. A casual talk with one of these might convince newly arrived Americans that through his years of experience he can read coming events as an open book. But delving deep you will find the old-timer as uncertain of what "manana" will bring as the newest newcomer.

At the request of the CREDIT MONTHLY, I will give a sketch of a few of my own actual experiences, hoping in this manner to show the chief essentials involved in credit granting in Mexico. The names and locations are not the true ones, although to some of those familiar with the territory the incidents will be known.

No Generalizations

First of all let me say that I never try to generalize on anything in Mexico—religion, science or business. Sometimes I feel that Mexico has a law of relativity all its own, and I never argue with anyone when I cross the border going South. If I am told there is gold or silver in Montana Fulano de Tal, I do not contradict. If two drinks of tequila entice someone to confide in me that a new revolution is set for the coming week, I remain dumb. If a merchant friend claims 60,000 pesos of merchandise and I see only 30,000, I may inquire where the reserve is stored, but I will not deny the assertion. My own inadequate experience dating back only to 1918 has taught me that the factors involved are so numerous that it is folly to try to reduce them to a given set of rules.

With our own well established laws and precedents in the States we have reduced our analysis of credit risks to the satisfaction of three cardinal principles—well known to us all—Capacity, Character and Capital. (I arrange them thusly without any wish to precipitate an argument with the disciples of J. Pierpont Morgan, or the other faction who believe that capital should come first.)

These principles are also fundamental in Mexico. But they must always be consid-



JACK E. HODGES

ered in connection with the myriads of other conditions, not known in the U. S. A., that can affect a merchant. To illustrate:

Thirteen years ago a young peddler of near east extraction moved into a small mining town in the hills of Durango. We will call him Miguel Smaruch and the town Tlaquimi. An old town, founded about the year 1590 by the Spaniards who for many years worked the rich silver-lead mines in the adjacent mountains.

Smaruch's endurance and capacity were good and he prospered. He married a home-loving Mexican woman and soon there was a considerable family in which his entire hopes were centered. Being young he became quite Mexican in thought and manner. Respected by his native neighbors he was protected in the early days of the revolution. With the rise of Pancho Villa hard times fell on Tlaquimi; and it was sacked by revolutionists and bandits on several occasions. Smaruch with the others found the road of the merchant hard indeed; but with the coming of Obregon the mines reopened and the town resumed its normal condition.

On one of my recent trips I was commissioned to see Smaruch in regard to a long overdue account. So leaving the main line of the Ferrocarriles Nacionales de Mexico somewhere south of Jimenez I journeyed some seventy miles over a narrow gauge mining railroad. Arriving at Tlaquimi late in the afternoon I hastened to greet Smaruch before hunting a place to sleep for the night. After a few minutes chat, during which as usual in Mexico, my definite object was not disclosed, he recommended the home of two spinsters across the way.

The spinsters were old, and their cus-

toms as ancient as the town. They were Mexican-German and in common with all Mexico very hospitable. By candle light I ate my beans and eggs and then had a look at my room. The one look convinced me that sleep would be hard to win that night. Damp adobe walls, flagstone floor, and rusty beds suggested more than the many flies for company. So I returned to the store of Smaruch determined to work with him as late as circumstances would permit.

After two hours of argument and persuasion I was still far from my goal. But I warned to Smaruch. Apparently he possessed character. The payrolls for the mine laborers were late and the peons were devoid entirely of their mites of silver. With only one company operating, the laborer's pay was only one and one-half pesos per day, and there were many without work of any character. What a problem to feed and clothe a family on 75 cents per day! The many bare feet to be seen were not all because of a dislike for shoes. His customers were none too prosperous!

I watched Don Miguel, as they called him, deal with his clientele. He seemed to feel their problems and want to help. Only once did he disappoint me—when he sold a husky young peon who had never owned a shoe a pair of seven A's! But the young one insisted they fitted though both Smaruch and I knew he would need all his Indian stoicism to hide the cringe.

The day was done and the store closed at 8 P. M.

"Will you come and have hot milk and coffee with me?" Smaruch invited. Over these refreshments we talked of many things. Just one year ago that Saturday night the town had suffered its last raid and Smaruch lost 12,000 pesos worth of merchandise. This recalled to him that it was also the sixtieth birthday of his chief competitor, Don Diego Fernandez. Another invitation "You must come over to the dance Don Diego is giving tonight, everybody will be there and many pretty girls." This last I doubted (with good reason), but almost any alternative to my unattractive room was acceptable.

No Room For Tango

The music started shortly after nine and the dancing continued with dogged determination until 3:30 A. M. The room in which we danced was about 12 x 16 feet and was therefore absolutely unsuitable for anything resembling a tango. The beaten dirt floor was covered with an itxle fiber carpet on a layer of straw.

It is easy to understand now why I used the phrase "with dogged determination." The night was sultry. The beer was lukewarm and the tequila hot as blazes, but everyone including myself seemed to enjoy the last act of Don Diego's birthday fiesta.

At 3:30 the majority overruled Don Diego's insistence and retired to their homes—I to my "posada," thinking that my fatigue would overcome the numerous oppositions to sleep I expected to find in my bed. They were there! But regardless, I probably could have snatched a few hours of needed rest if several of the young men who had attended the dance had not chosen the nearby corner as a proper place to "play rooster." They had secured a new bottle of tequila, engaged the dance orchestra, and were industriously "crowing-in-the-dawn" an old custom in small towns in Mexico. Sleepless, I joined them finally, knowing that I must early arrange for a conveyance to the main line in order to catch the northbound Mexico Central.

Daylight, and after a breakfast of beans and eggs I found a rickety truck and an adventurous owner willing to attempt the worst seventy miles of dirt and rock road I ever encountered. While waiting for him to change a hind wheel, (that later came off and rolled me in the sand,) I woke Smaruch up to bid him goodbye and made one more try to obtain the cash I was almost convinced he didn't have. We then rocked down into the valley.

In Smaruch I saw capacity. He couldn't operate on a losing basis, as long as there were sufficient people in the vicinity. He possessed an unusual amount of character for one of his antecedents. His capital, though depleted on more than one occasion by bandit raids, was still sufficient. But with the cardinal principles met, was he a good credit risk? Would another raid ruin him? Would the mines close again?

Racial Peculiarities

In considering the cardinal principle of character every credit man who is charged with the handling of foreign credits knows that he must take into consideration the racial peculiarities and characteristics of his subject. For instance, would you refuse to sell an efficient Chinese merchant, long established in a growing village, because of his natural propensity for gambling, opium smoking and keeping his cash under the mattress (if he possesses a mattress)? These vices in a Caucasian dealer would without question bar him from the ranks of a good credit risk.

Not long ago I had occasion to go into one of the prettiest and richest little valleys in Northwestern Mexico, just at the edge of a rich mountain chain. Two of the leading merchants were in prison awaiting trial on charges of smuggling merchandise into the Republic. A short sixty days previous the conditions of both had met all the requirements of first class foreign credit risks. Outer conditions had seemed favorable. The little town was growing and the valley was fast filling up with both natives and foreigners.

The personal capacity of each was excellent and their paying records unblemished. Overnight came a tremendous change. President Calles said, "Stop smuggling!" The customs men swooped down, removed a goodly portion from the stock of each one of these merchants and carried their persons off to jail. It will be costly for both: may impair their capital until they face bankruptcy. One, a Mexican of an old and influential family,

petitor. I have before me as I write a rather peculiar statement received by mail from a well-known merchant in a small Mexican city. Only three totals are given, all in round figures. So much for real estate, so much invested in the store and a round sum for the liabilities. It is written in letter form and part of it translates verbatim as follows:

"I am a working man without vices. My honor is well known and I never engage in political matters."

This is a good ticket surely. A little later I was requested to adjust two accounts with this merchant, and my investigations disclosed that he was one of the most active politicians in his little city and that he seldom discharged his obligations until forced to. His picture of himself was right in one particular. He was not a vicious man.

Motives for a False Statement

This brings me to the declaration that financial statements from Mexico are not always dependable unless verified and proven through reliable sources. There are many reasons for this, quite a few of which apply also in our own country. Certain types of Mexican merchants will falsify their statements either because of vanity or in an effort to establish a false credit standing. Others of substantial means are afraid to disclose their true financial position in the fear of having to pay what they may consider excessive taxes and contributions. This last must invariably be considered in analyzing a Mexican financial statement. In our neighbor Republic the merchants are also taxed on their percentage popularly considered unjust; and occasionally it is rather difficult to ascertain a retailer's true turnover.

In May of this year I had the pleasure of interviewing a very progressive young merchant in one of the oldest of the Northwestern cities of Mexico. He considerately seated me in his office, offering his latest balance sheet for my inspection and excused himself to attend a customer. After securing all the data I needed in regard to his assets and liabilities I came to the question of his sales. I asked the young senorita in the office, "Can you give me the average monthly sales?" She handed me

a day book, well thumbled and well kept from which I immediately knew she suspected me for a government inspector. On the return of my merchant friend I was shown the correct figures.

An always interesting and diverting phase of credit granting in Mexico is the unique and picturesque phrases encountered in financial statements and also in ordinary letters. Not only are these interesting in the original Spanish but because of the difficulty of translating the idiom, the would-be English equivalents are quite often both amusing and confusing. Occasionally we receive the most detailed information as to how the fence around the home is constructed or how the cattle are branded. Those merchants well trained in accounting will usually go

"Never Contradict A Mexican Customer"



OUR usual custom being to get expert opinion, whenever possible, on articles before they are published in the CREDIT MONTHLY, we secured two worthwhile criticisms of this article on credit granting in Mexico. Both were favorable. One of the critics said:

"I was in close contact with Jack Hodges for several years on the Mexican border and I can vouch for the excellence of his work and for his thorough knowledge of Mexican character.

"'Never contradict a Mexican customer' is excellent advice. If a Mexican shopkeeper in difficulties has a stock that seems to be worth 500 pesos, but declares that his stock is worth 1000 pesos, agree with him, and politely and tactfully inquire where the other half of the stock is stored.

"Hodges was in Porto Rico as credit manager for Armour & Co. He speaks Spanish like a native. He understands the psychology of the Mexican as well as any American I ever met."

probably can pull the political wires and considerably reduce his incarceration. The other, a humble foreigner, has no better chance than the proverbial snowball.

A capable export credit man may not always refuse to ship a merchant known to be smuggling; but if he does ship he will most certainly keep his ear to the ground for the march of the customs inspectors.

Throughout Northern Mexico there are a great number of merchants, principally foreigners of two well-known races, who are in difficult straits at the present moment because of the Calles administration's war on smuggling. They build their reputations and their business on cheap prices and now that it is necessary to pay import duties in most instances, they cannot cope with the legitimate com-



DON MIGUEL'S CUSTOMERS WERE NONE TOO PROSPEROUS

(From a Photograph)

into great detail concerning their method of depreciating assets, calculating profits, etc.

Recently I read this description given by a substantial Mexican: "Flour mill which we call Xochmoecli in the suburbs of our town with its own water power, with

three pairs of rocks (grind stones) and all its accessories for washing and cleaning wheat and two sun exposures."

In dealing with the better class of native Mexican merchants, large or small, one will encounter a really high code of ethics and commercial honor. Courtesy

and politeness are prevalent and more or less in the nature of a religion. I sometimes feel that, comparatively speaking, there is more honesty among the native merchants of Mexico than any Latin-American country in the world.

Read and Study Your Fire Insurance Policies

By T. Alfred Fleming

Supervisor, Conservation Dept. Natl. Board of Fire Underwriters

IN the determination of credit there are many conditions to be considered, among which is a satisfactory knowledge of all contracts involved. Every detail of this information is scrutinized and the effect fully established or at least estimated. This is exceedingly necessary as any condition of such agreement might seriously affect the stability of the credit extended. Unfortunately, however, few credit managers, I fear, give sufficient weight to the necessity of the same careful scrutiny to the contract of insurance, which is an important part of the credit agreement. If fire should take place, what would be the conditions determining the adjustment? What rules would govern in connection with the insurance upon which the credit distribution must depend? It is a lamentable fact that only a small percentage of business men ever read the insurance policies which protect them in case of fire, and fewer still take

pains to scrutinize the reliability of the companies which carry the risk. An insurance company may not feel the effects of a single loss; but in the event of a conflagration, we should know that its assets, reserve and surplus are sufficient to meet the needs of the coverage involved.

Almost every fire is a possible conflagration and all credit should be considered with such a possibility in mind. The largest conflagrations in the history of the

United States, with the exception of that at San Francisco, all originated from a small preventable cause. Forty blocks of the City of Baltimore were destroyed by fire which started when a cigarette stub was dropped through an opening in the sidewalk into a basement where an accumulation of debris was stored. Augusta, Ga., was burned because an electric pressing iron was left connected after being used. Many other similar examples could be given. It is, therefore, important that the credit and the supporting insurance be considered in the full light of a possible conflagration.

With full knowledge of the conditions affecting the Insurance contract, we should concern ourselves with the general condition of housekeeping and other features, which would assist in the prevention of waste. An owner of any commercial establishment, who does not interest himself in the general conditions which affect the fire safety of his employees or of his financial investment, is not usually a good subject for credit extension. Therefore, when determining the other items involved in financial credit, let me suggest that for his own benefit the credit executive impose upon himself the following rules:

For Your Own Benefit—

1. Read and study every condition of the insurance policies involved.
2. Give consideration to the financial standing of the insurance companies interested.
3. Assure yourself that all general conditions of Fire Safety are adhered to by the management of the credit client.



UNCLE SAMUEL GULLIVER COULD SNAP THESE BONDS
Thus Releasing Fresh Energy,—in the Shape of Financial Power,—That Now Lies Unproductive.

Alive to Nation's Predicament

Credit Men Appreciate Fire Prevention Week, Oct. 4 to 10

William Walker Orr, Manager of the Eastern Division, National Association of Credit Men and a member of the Arson Committee of the Fire Waste Council has this to say about Fire Protection Week:

CREDIT men are more keenly alive to the necessity for fire prevention than probably any group of business men outside of the insurance interests themselves.

The plans of the National Board of Fire Underwriters and of the National Fire Protection Association for this year's Fire Prevention Week, October 4 to 10, are therefore of intense interest to the members of the National Association of Credit Men, organized as they are in 140 local associations, each with headquarters in a commercial city.

These men appreciate what it means to have \$548,800,000 of improved property consumed by fire in a single year,—to have the ratio of fire losses to property increase yearly,—to have 15,000 lives lost by fire in twelve months.

They realize that every dollar's worth of property that is reduced to ashes represents a loss, not only to the immediate

sufferer but to the entire United States, in national wealth. And whatever affects the nation as a whole affects, of course, every one. As individuals we can no more escape the calamities that befall our country, of which this annual fire loss is not the least, than we can fail to share in the benefits which our collective industry showers upon us. Nor is this remote theorizing; it is solid and very present fact.

One fundamentally serious loss resulting from every fire is that represented by the wasted raw materials, many of which, for rebuilding, must be drawn from already slender, or at least steadily diminishing, natural resources within our boundaries. Take lumber. Despite the increasing use of incombustible material in structural work, wood remains in steady and constant demand. Every fire, therefore, which consumes wood in some form necessitates the making of fresh inroads into our timber supply.

How Fires Affect Taxes

Furthermore, destroyed buildings pay no taxes—that is an established principle in city government everywhere. From the date of its destruction, burned

property is removed automatically from the assessment rolls and only replaced when restoration has been completed. Yet this anticipated revenue for the community's budget requirements cannot be dispensed with; it must come from some source, and so it is added to the taxes of those whose property remains standing. On a loss of \$548,800,000 this additional charge aggregates many hundreds of thousands of dollars and it is shouldered by those of us who have escaped the attack of fire.

Credit men are fully aware that if fires were prevented—not merely extinguished after they started,—an enormous amount of money would be released for the benefit of trade. Think of the expense of public fire protection. To maintain a municipally paid fire department, together with an efficient and reliable alarm system, requires money, much money. To protect from the ravages of the flames the city of New York alone, its residents pay annually some \$6,000,000. Lesser but still considerable sums are appropriated by hundreds of cities in the United States year after year.

Vital Interest To Credits

*Declaration Unanimously Adopted at
Annual Directors Meeting of the
National Association of Credit Men*

THE rising tide of fire losses creates a problem meriting the serious consideration of the National Association of Credit Men and of the public. The large proportion of the fire losses due to criminal negligence, incendiarism and mere carelessness affects our morale and to its control the most consistent efforts of organizations and of business should be given.

When the public recognizes that the fire loss is an absolute waste that makes inevitably for higher prices for commodities and goods bought and used, there will be less indifference toward the subject and a larger concern for the exercising of the safeguards that will materially decrease the avoidable part of the aggregate loss.

The subject is of vital interest to credits because their liquidation may be adversely affected by fire losses; and the liquidation of credits frequently fails because the fire hazard was not properly safeguarded against by insurance.

This is one of the great problems of the day. If the people are aroused to an appreciation of the facts, they can do a great deal towards decreasing fire losses.



Credit Improved by Life Insurance

By Edward S. Andrews

Prudential Insurance Company of America

LIFE INSURANCE has come to be an important factor in commercial activities. Executive boards appear to be taking a far-sighted attitude toward the uncertainties of life and are using insurance to compensate a company for loss through the death of a prominent member of the firm. Used in this way its possibilities for protecting and strengthening business are limitless.

The disaster that so often befalls an old and honored firm through the death of the chief executive or a prominent partner is averted when that man has been insured in favor of the firm. Business failures due to the death of the leading spirit in a business are matters of common occurrence. It is to avoid this tragedy that progressive men, entering into partnerships or corporations are taking out insurance, on each other's lives, in favor of each other or payable to the corporation.

The son who is to inherit his father's business is rarely able to take the whole load on his own comparatively inexperienced shoulders when the time comes. His salvation at this time is the insurance policy which will tide him over the uncertain months of his own proprietorship and maintain the confidence of his creditors. It is the medium which can make permanent the solidity of his business.

In the case of a small business it is not unusual that its capitalization represents the combined savings of the whole family. The failure of the business means ruin to the home. Added to the human loss of the head of the family is the economic loss of his productive ability. An adequate amount of insurance would help continue the business, forestall receiverships, and prevent sacrifice sale of goods.

Banks are willing to make loans and in larger amounts when the borrower can produce a life insurance policy as security. Corporations putting out a big bond issue have been known to insure the key man of the concern for an amount covering the issue.

In time of panic when money even in comparatively small amounts and for short periods, has been difficult to obtain, thousands of business concerns owed their continuance to the loans from insurance companies made possible through men whose policies carried such loan values. It has been estimated that approximately \$400,000,000 was loaned by the life insurance companies of this country during the panic of 1907. Men who were in desperate need of ready cash found the insurance company the only source from which they could procure it.

When a business receives added capital after the death of its head, its credit standing is improved rather than diminished as is too often the case. The money that becomes immediately available then belongs to the business without any obligation to an outside person or interest. Outstanding debts may be promptly liquidated.

Life insurance is the most convenient and quickest way of making ready cash available in an emergency. It is doubtful if any agency will ever be created which can be made to do so much to effect a similar purpose. The capital it provides is fresh and unencumbered.

Earthquake Hazard as a Credit Factor

A Subject Many Credit Executives Are Studying

MANY forward looking credit managers are giving the matter of earthquake risks their serious consideration. There is a growing body of opinion that earthquake insurance is as necessary a condition to the extension of credit as fire insurance. This holds particularly true of what we term the "earthquake sections" of the United States. The Santa Barbara earthquake of June 29 probably brought this fact forcibly home to many.

Most companies will tell you that earthquake insurance rates are hard to determine owing to the scarcity of seismological data. The problem is well stated by Dr. Bailey Willis, President of the Seismological Society of America, Washington, in "Underwriting Earthquake Hazards," an address to the 49th annual meeting of the Fire Underwriters Association of the Pacific and since published in pamphlet form by the society.

Dr. Willis declares that it is first necessary to determine the ground upon which the foundations of a building rest. Next it is necessary to analyze the construction of the building, not from the civil engineer's standpoint, but from that of the building's resistance to earthquake.

Earthquake Insurance Rates

	70%		80%		90%	
	1 yr.	3 yrs.	1 yr.	3 yrs.	1 yr.	3 yrs.
Brick and concrete "C" Class and frame buildings over 4,000 square feet in area or over 3 stories in height.	.40	1.00	.37	.92	.34	.85
"A" & "B" class buildings (fireproof)	.25	.625	.23	.57	.21	.53
Frame buildings under 4,000 square feet and 3 stories or under in height	.35	.875	.32	.80	.29	.72

For the above rates we are indebted to Alfred L. Merritt, officer in charge of the Pacific Coast Department of the "America Fore" insurance companies.

Mr. Merritt is gathering material on this subject which will appear in an early issue of the CREDIT MONTHLY.

er's standpoint, but from that of the building's resistance to earthquake. In an earthquake region buildings on soft ground, unless on a flat reinforced mat of concrete which will move with the entire building, are obviously unsafe. In construction, buildings must be units that can "give" with an earthquake. In other words, if it is to be rigid it must be rigid throughout, and vice versa. Given these facts, plus a knowledge of earthquake frequency and intensity in a region, the insurance company can determine equitable and profitable rates.

that in New England," eighteen years after the Pilgrims landed, they were astonished because the Lord shook the earth. That was in 1638. From 1638 down to 1870 there was a shock which was noticed and recorded every year. They were slight, but they were noticeable. After 1870 . . . the records are very incomplete. . . . But we know that there have been occasional heavier shocks. In 1903 and 1904 there were some heavy shocks and just the other day there was one that woke up Boston and all the coast up to Maine."

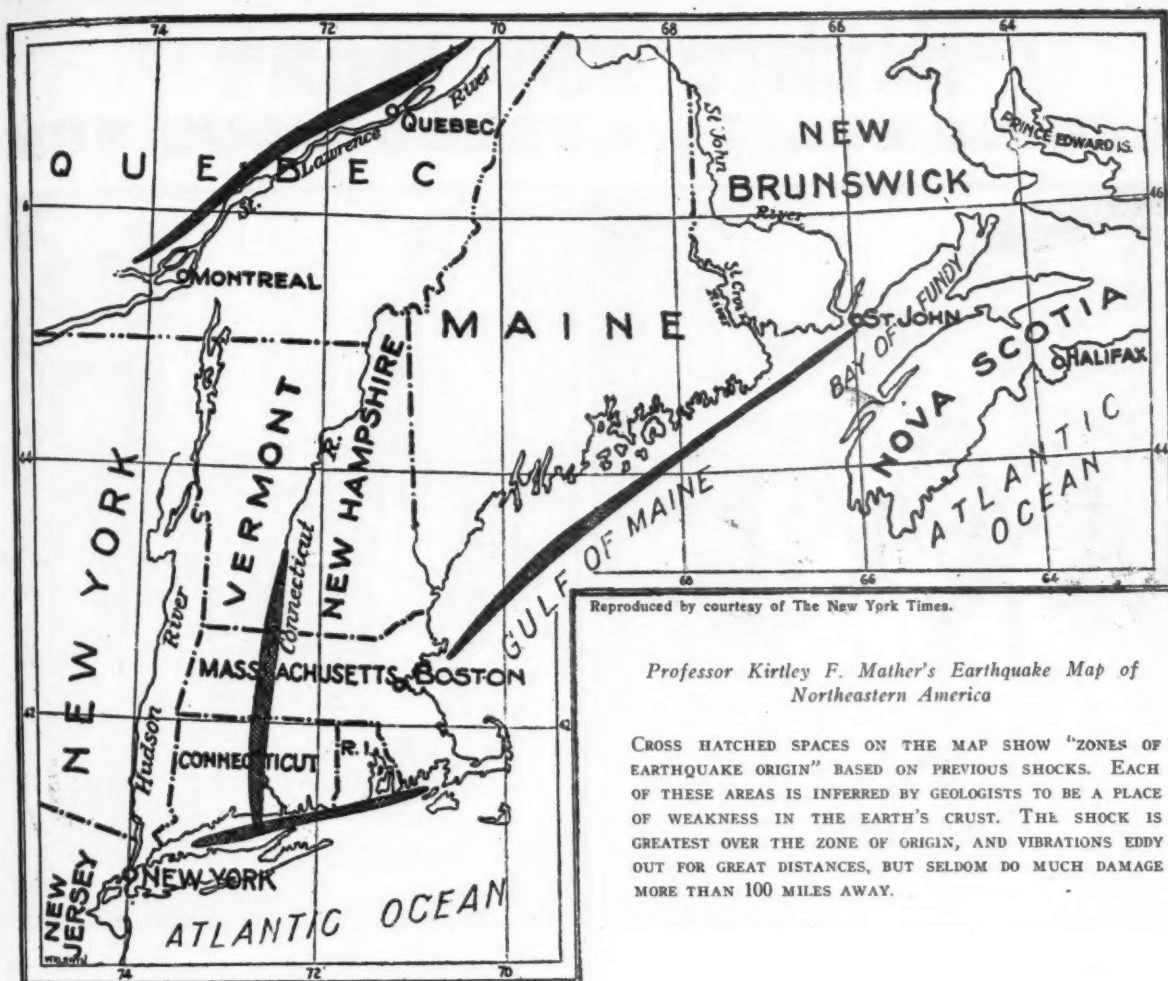
"In 1755 there was an earthquake which rocked the old buildings that had been put up in good Colonial style, with hewn timbers and solid carpentry, all properly mortised, none of your toenailing, with your little bit of match-stick structures that you see going up around here to-day. Yet it shook those old buildings so severely that it frightened our good old grandfathers very thoroughly. Also they were built on good ground. They built on Boston Heights, up on Beacon Hill, and all around in the good old rocky places. They had not at that time built out on the flats, on the mud of Boston Harbor, where a great part of East Boston now stands. They had not built brick buildings with poor mortar. . . . They had not put up shoddy structures such as we get today.

"There is an earthquake line, very well known, established by many records of moderate earthquakes, which runs up the St. Lawrence River to Lake Champlain, down the Hudson, along the fault that passes between New York and Jersey City and cuts across the east side of Staten Island, then continues down on the coast through Trenton, Philadelphia, Baltimore, Washington, Richmond and on down into the Carolinas. That fault is an active fault. It never yet has given a very severe earthquake."

Dr. Thomas A. Jaggar, one of the world's leading seismologists, in charge of the United States Government Hawaiian Volcano Observatory, who contributed an interesting paper on the subject in Scribner's magazine of October, 1924, has reduced the likelihood of earthquakes to a rough numerical scale which he has applied to every part of the world in the light of historical records. The scale is



THIS WRFCCK ILLUSTRATES A COMMON TYPE OF EARTHQUAKE DAMAGE, COLLAPSE OF FRONT WALL. BETTER METHODS OF CONSTRUCTION MIGHT PREVENT THIS.



Reproduced by courtesy of The New York Times.

Professor Kirtley F. Mather's Earthquake Map of Northeastern America

CROSS HATCHED SPACES ON THE MAP SHOW "ZONES OF EARTHQUAKE ORIGIN" BASED ON PREVIOUS SHOCKS. EACH OF THESE AREAS IS INFERRED BY GEOLOGISTS TO BE A PLACE OF WEAKNESS IN THE EARTH'S CRUST. THE SHOCK IS GREATEST OVER THE ZONE OF ORIGIN, AND VIBRATIONS EDDY OUT FOR GREAT DISTANCES, BUT SELDOM DO MUCH DAMAGE MORE THAN 100 MILES AWAY.

based on the number of quakes a year on an average square mile of territory. The quietest is 1 and 10 the most hazardous. New York and New England rate at No. 8. There is also the "Rossi-Forel" classification of intensity, which is interpreted by Dr. Willis as follows:

1. "Microseisms," recorded by special instruments only.
2. Extremely feeble shocks, recorded by instruments and felt by some individuals lying down.
3. Felt by several persons at rest, strong enough for duration or direction to be observed.
4. Feeble shocks, felt by persons in motion, accompanied by disturbances of movable objects, such as doors and windows, with creaking of ceilings.
5. Shocks of moderate intensity, felt generally by almost everyone; disturbance of furniture, etc.; ringing of bells.
6. Fairly strong shock; general awakening of those asleep; general ringing of swinging bells, oscillation of chandeliers, stopping of pendulum clocks, visible agitation of trees and shrubs. Damage insignificant.
7. Strong shock; overthrow of movable objects, fall of plaster; general panic.
8. Very strong shock; fall of chimneys, etc. Nos. 7 and 8 will crack or crush weak interior walls and rigid veneer on outer walls; wreck fire walls and fronts of block construction and other structures not upheld by frames or

vertical reinforcement. Damage considerable to serious.

9. Extremely strong shock; partial or total destruction of some buildings.
10. Block of extreme intensity.

Professor Kirtley F. Mather, Professor of Geophysics at Harvard University, points out that New England and New York have had No. 8 shocks. That they may have more severe ones he regards as possible but improbable.

The question naturally arises: "What are we going to do about it?" The Engineering-Economics Foundation, a war creation, has continued its work by looking into the subject of earthquakes and endeavoring to arouse the people of the Atlantic Coast to preparedness so that at least a quake may be mitigated, a feat in the old some of the effects following in the trail of a quake may be mitigated.

An earthquake, to quote Professor Mather, " . . . is an adjustment of the earth's crust to an accumulation of stresses and strains acting upon it. Both the changes of earth temperatures and the forces set up by the varying proximity of the sun and moon to the earth cause shrinkage or expansion in its surface. This cosmic pressure is absorbed for a time in the natural elasticity present even in rock masses scores of miles thick. But as the pressure continues something must finally give way.

"The earth's crust, like any material, gives at the weakest point, where one kind of rock formation changes to another, where there is some structural defect or a

soft spot." Some times this occurs in one prodigious readjustment. At other times a long series of minor shocks work out the pressure and easement.

While earthquakes cannot be prevented, the Engineering-Economics Foundation believes that their hazards can be materially reduced by proper precautionary measures. Dr. Bailey Willis shares this belief.

Seismology is a comparatively young science. It has done much and hopes for even greater accomplishments in the future. All seismologists would like to be able to predict earthquakes. Dr. Willis believes that, with the aid of the modern instruments now used, plus ten or fifteen years of experience, prediction can be made well in advance and with a fine degree of accuracy.

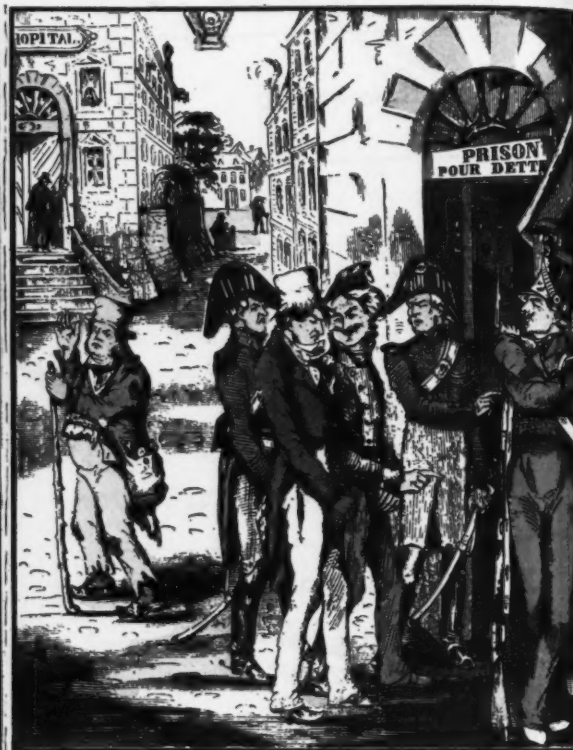
The benefit of this is readily seen. For instance, if we could know that a No. 8 shock would be felt in New England and New York on a certain date, buildings could be reinforced, precautionary measures taken and papers and valuables (to say nothing of the population) removed to zones of safety, together with the inhabitants of the city.

Those credit men who might be interested in reading further on the subject will find Dr. Bailey Willis's "Underwriting Earthquake Hazards" (Seismological Society, Washington, D. C.); the article by Dr. Thomas A. Jaggard in *Scribner's*, October, 1924, and a composite article in the *New York Times* of May 17, all well worth reading.

H. P. PRESTON.

CREDIT EST MORT

LES MAUVAIS PAYEURS L'ONT TUÉ



Credit is Dead, Killed by Delinquent Debtors

By Jos. K. Drake

IN Napoleonic times in France, creditors had their troubles just as they have them in the United States of America today. The situation at that distant time and place is shown graphically by a crude, bright-colored poster of that period,—one of the many published in the little Lorraine town of Epinal,—which is reproduced in black and red herewith. On each side of the poster are printed verses describing every detail of the pictures.

The last line of each verse of the song is,

"Good Mr. Credit is dead!"

In the left-hand picture we see the deceased Mr. Credit and four of those delinquent debtors who have caused his demise. The musician owes a large sum for the wine he has drunk; the stout gentleman has neglected to pay for a great many sumptuous meals that he has consumed; the fencing master has a pleasant way of intimidating his creditors with the point of his duelling sword; and the painter, although an artistic

genius, passes his life in drinking, gambling and sleeping, and then contends that he is a victim of bad luck.

In the right-hand picture a man is seen going into a hospital, "the only place where one can enter and depart without money"; the tramp is scarcely recognizable as a former trader and business man who, because he did not pay his debts, is bereft of credit; the door of the debtor's prison swings open for the man who has let his credit die. There in a cell and without money he will be "unable to make the jailer listen to reason."

The last verse is to the effect, "Commercial credit is dead". Delinquent debtors have killed it. Faith and confidence share the same fate, and throughout the nation, credit is dead!

It is easy to imagine this poster,—printed in bright green, yellow, red and black,—displayed in many a business house and retail store as a warning to debtors and as a reason why credit could be given no longer.

Credit Features of Risks

Insurance Companies Setting Up Credit Departments

By William Gregg

THE credit feature of an insurance policy,—the character and capacity side of the risk,—has received comparatively little attention. Leading insurance companies are, however, setting up credit departments with experienced and competent managers in charge.

Most of the insurance companies study available fire records and the reports of the commercial agencies. But these methods have come to be recognized as inadequate. Moral hazard losses are conservatively estimated at 40 per cent. of the total annual fire losses (\$550,000,000) of the Nation. One way to reduce these moral hazard losses of some 220 millions is for the insurance companies to expand their credit analysis work.

Interest of Credit Men

Now the credit man is interested in this movement because he wants everyone to be adequately insured. If insurance rates are inordinately high, the merchant will skimp on his insurance. The rates cannot be reduced as long as the number and amount of moral hazard fires continue to mount.

Sidney P. Mackey, credit manager of Mitsui & Co., Ltd., has recently been engaged to develop a credit department for the Continental Insurance Co., New York. He sends the following message to the CREDIT MONTHLY:

"I believe it was Daniel Webster who once said credit has done more a thousand times to enrich nations than all the mines in the world. But what has fire done? Burned or destroyed thousands upon thousands of times that which credit has enriched.

"The whole structure of the business world is based on credit. Ninety per cent. of our commercial transactions are credit transactions. We can live without doctors,—without a knowledge of the laws of medicine,—but a great many more of us live a great deal longer because of a knowledge of the laws of medicine.

Character in the Insured

"Modern credit is founded upon a law of commercial average, but is little understood. What is credit? you may ask. It is the confidence, or trust, reposed by one person in the ability and willingness of some other person to fulfill a promise at some future time. Therefore, character is of vital importance in extending credit, but, to my mind, it is far more important in writing fire insurance.

"It has been said that conscience makes character; character makes confidence; confidence makes credit; credit makes business, and business makes wealth. Destroy that conscience, destroy that character, destroy that confidence and you have destroyed credit, and when you have destroyed credit you have destroyed the foundation of this nation's wealth.

"Now, what has all this to do with fire insurance? you may ask. When we think of the vast amount of wealth, run-

ning into the millions each year, that is destroyed by fire, at least 30 per cent. of which loss is the direct effect of arson, you can readily appreciate that conscience, character, confidence as well, has been destroyed, and, that destroyed, you have affected credit. It is, therefore, very important, to my mind, that all Insurance Companies give this thought full consideration. The moral risk is one of vital importance, not only for Insurance Companies, but for the entire business world, and they are leaning towards this more each day, realizing the importance of looking into the risk just as a commercial firm does.

"How easy it is for one with no conscience or character to move from place to place, changing his or her name, obtaining credit running into thousands, and then conveniently burn and collect, then again disappear.

A Fire Bug

"The other day I came across a risk in a nearby city where the record appeared clean, reported by the commercial agency as such, and it was clean in that city. But upon a careful investigation, it was found to have, not only a fire record, but convicted as a fire bug, and after a lapse of time turning up in a new location where unknown, to start over again, sooner or later collecting again from some Insurance Company.

"Or, a corporation may be formed, record of which will appear clean, but, if the members or officers are put under the microscope, the aspect of the situation is changed. These cases are rare, you will say. Not so. There are in my files at this time some 125,000 names of those who have a fire record that is questionable. Eliminate these undesirables,—put them out of business! This can only be done by close co-operation, and thorough investigation, and you have then gone a great way towards reducing the vast amount of our created wealth that is burned or destroyed.

"As I have stated before, every loss is not to be classed as incendiary or the result of arson, nor will the time come when a certain amount of fires will not occur. Of course they will. Insurance Companies expect them. That is what they are in business for, but not to fatten the pockets of the fire bug. Drive him out forever! Help preserve that Conscience, Character, Confidence that makes credit and enriches nations.

"I hope the time will come when every Insurance Company will realize the importance of establishing Credit Departments the same as commercial houses. It will not only mean a valuable asset, but will help reduce the fires that destroy the nation's wealth, destroy the confidence, and make the moral risk the most vitally important factor in every business, irrespective of the amount of capital.

Full Particulars In Financial Statements

"During the years I was checking commercial credits I was always very par-

ticular to see that full particulars were given in each Financial Statement with reference to insurance. It always gave me an opportunity to ascertain whether the stock, machinery, etc., was fully covered, or whether over-insured. Just so particular am I now to see that the one not entitled to that insurance does not receive it. This, I hope, may be the means of not only saving a portion of our nation's burned wealth, but rendering service to my associates in commercial and banking circles."

A Law Class for Credit Men

By E. D. Ross

Irwin-Hodson Co., Portland, Ore.
Director, N. A. C. M.

LAST year the Committee on Credit Department Education of the Portland Association of Credit Men were considering some activity which would be of interest and benefit to the membership at large.

Heretofore requests had been made to endorse various schools and classes which might furnish mediums for credit department education. It was found that the members who took advantage of these endorsements would become scattered and did not get the full benefit of association with one another.

It was therefore decided to conduct a law class for credit men, which was conducted along rather unusual lines. The stereotyped method of lecturing was entirely eliminated. One hundred and fifty topics or hypothetical situations were selected for fifteen sessions of the class. This gave ten topics for discussion at each session.

At the first session topics would be given out for the second session, and at the second session answers to those given out at the first session were prepared. However, the answers were not circulated in the class at the beginning of the session; but the topics were discussed and various opinions of credit men were obtained as to their ideas of the law covering the situation. This promoted some discussion and when the correct answer was eventually given, the solution of the problem was brought forcibly home to the members of the class. During the course, members of the class were given the right to bring in their own topics and hypothetical situations for discussion.

By this method it will be seen that very many problems of practical application were considered and much of the technical, theoretical and unusual situations were eliminated from consideration.

The membership of the class started with some forty-odd members, and interest was so keen that practically the same attendance prevailed throughout the course.

This course was conducted under the able direction of William B. Layton, Counsel of the Portland Association of Credit Men.

Advice to Department Stores

On Fire Prevention and Insurance Problems

By Warren F. Kimball

Director of Insurance, National Retail Dry Goods Association

AN Insurance Bureau, for purposes of educational and research work among department stores, has been organized and is being operated in New York by the National Retail Dry Goods Association. The Bureau is designed to act in an advisory capacity, confining its efforts entirely to department store problems and basing its advice on the information accumulated by means of this specialized work. Contacts have already been established with insurance companies, bureaus and associations so as to eliminate the necessity of duplicating extensive survey and other data at heavy expense in time and money. For immediate action, the Bureau has several objectives:

First, for all stores, large and small.

1. Correspondence on every-day questions of interest to the individual store.
2. An analysis of Use and Occupancy Insurance, for with rare exception it is felt this type of insurance is needed by department stores and can now be obtained on a fair and reasonable basis.
3. Policy inspection and Insurance Survey Service. This service covers a thorough study and a complete report on the entire insurance situation. It includes the details of each type of insurance, whether carried or not, a rating of the carriers and suggestions for improvement in risk, coverage, forms, rates, etc., resulting in a perspective of the store's insurance which is rarely obtained unless approached in this way. By sending all policies to New York by registered mail in conjunction with detailed questionnaires and correspondence, the charge will be very nominal, ranging from \$50 to \$75 for the small stores to a maximum of \$200 for the largest.
4. Investigation and reports on special subjects from time to time, such as monthly reporting policies, winter fur storage policies, insurance carriers, the "fallen building" clause, "bridging the tornado-fire gap," etc.
5. Development of a Central Purchasing Department through which fire protective apparatus and equipment can be obtained at a minimum cost. For instance, 2½ gallon approved chemical extinguishers can be obtained for \$9.00 each, f.o.b. Boston.

Second, for the smaller or moderate sized stores not equipped with automatic sprinklers.

1. Sprinklers. A study of the possibility of installing sprinklers and paying for them by means of the savings in insurance premiums. Also, assistance in obtaining bids and financing if the project is found workable and further investigation is desired. A so-called sypho-chemical sprinkler system is being developed for small stores where the standard sprinkler system is not feasible and this equipment has already received substantial rate reduction in certain districts.

Overshadowing all known methods of physical improvement and reduction in cost is the automatic sprinkler. With the help of the Preliminary Survey blank which you have all received and co-operation on the part of the members, the Bureau will be able from its headquarters in New York to make an analysis of sprinkler cost which will be accurate within 10 per cent. This will involve no detailed survey and no abnormal expense. Every unsprinklered store should make this preliminary study as soon as possible, regardless of how remote the possibility of installing sprinklers may seem to be. If desired to avoid capital outlay, the reduction in insurance premiums will often be found sufficient to pay for sprinklers on a deferred payment plan and the Bureau undertakes to find funds for financing the equipment on this basis if so requested.

The Insurance Director will visit individual stores and groups when his services are needed. Most of the advisory work will be accomplished by correspondence. This arrangement means service on a broad base with low expense. This procedure is especially adaptable to the work for which the Bureau has been established.

The way in which the Bureau operates can be summarized as follows:

1. An insurance page in the Bureau's Monthly Bulletin, which goes to all members.
2. Special bulletins and reports issued from time to time.
3. General correspondence on every-day subjects, based on the "Preliminary Survey of Fire Risk." This blank has been forwarded to all members, who are earnestly requested to fill it out and return it as soon as possible so that the file may be opened and later correspondence handled intelligently.
4. Special questionnaires and correspondence for larger problems, such as policy inspection and insurance survey service.
5. Interviews with Department Store Controllers and Store Executives when they are in New York.
6. Discussions with individual stores and groups when necessary.

What Is U. & O. Insurance?

Use and Occupancy insurance is essentially "earnings" insurance. Obviously, no company can earn net profits until it first earns its charges and expenses. If the business is interfered with, the earnings are impaired while the fixed charges and expenses continue in whole or in part depending on the character of the fire and the extent of interruption.

It is difficult to see how a fire of any appreciable size can occur without causing a contingent loss not recoverable under the regular fire policies. This loss is made up of the loss of net profits and the loss due to fixed charges and other expenses which would necessarily continue during total or partial suspension but could not be earned because of interference with or suspension of business. The only uncertainty lies in the fact that no

man can foretell how the fire will work, in what season it will occur or to what extent the business will be interrupted.

Use and Occupancy insurance, if properly written, will enable the insured to accomplish the same results during any fiscal year as would have been the case had no fire occurred, that is, the books will show that all fixed charges and expenses incurred during the year have been earned and the normal net profits produced. Ability to produce this result is especially necessary when the management must satisfy directors and stockholders.

Perhaps the largest single cause contributing to a misunderstanding of this coverage is the almost universal tendency on the part of the insured to approach the problem solely with the idea in mind of what could happen if the premises were destroyed and business totally interrupted for a long period. In some cases, this possibility seems so remote that U. and O. coverage is omitted, overlooking the fact that a very serious loss can be sustained under conditions of partial interruption. In contemplating possible losses, it is safe to say the chances are perhaps 95 to 5 that the fire will cause a period of interruption of such duration that during the time required to resume normal operations, no expense whatever can be eliminated. In other words, expenses will usually continue in full while the earnings drop off sharply.

New U. and O. Form

The Bureau strongly recommends the carrying by all department stores of Use and Occupancy insurance and it is endeavoring to clarify the principles of such insurance.

Important clauses in the new Use and Occupancy coinsurance form approved in principle by the stock companies (for use on fire or tornado policies) for mercantile or non-manufacturing risks, are:

On the Use and Occupancy of the property described below:

Use and Occupancy for the purpose of this contract is hereby defined to be net profits from insured's business as conducted in the premises described below and also all charges and expenses earned in connection with such business.

- (1) The conditions of this contract are that if the building(s) situate _____ and occupied as _____ and/or machinery and/or equipment (insert here "and/or stock" if liability due to damage or destruction of stock is to be included) contained therein, be destroyed or damaged by fire occurring during the term of this policy so as to necessitate a total or partial suspension of business, this Company shall be liable under this policy for the actual loss sustained for not exceeding such length of time, commencing with the date of the fire and not limited by the date of expiration of this policy, as shall be required with the exercise of due diligence and dispatch to rebuild, repair or replace such part of said building(s) and machinery and equipment (insert here "and stock" if liability due to damage to

(Continued on next page)

Hanson in the Field



A NEW field man, Archie M. Hanson, of the Kinney Cutting Products Corp., New York, has been added to the staff of the National Association of Credit Men. Mr. Hanson's activities will be concentrated on the Eastern Division of the Association where he will work in close relationship with the local secretaries and membership committee. His headquarters will be in the National Office of the Association.

He will also work in smaller cities where there are no local credit men's associations and endeavor to build up the membership of the National Association and assist in the formation of credit clubs and new associations where they are feasible.

Mr. Hanson served in France during the war as a flying lieutenant in the Army. He was educated at Notre Dame University. He is a member of the Masonic Order, the Elks, and the American Legion.

or destruction of stock is included) as may be destroyed or damaged, subject to the following conditions and limits, to-wit:

(2) This Company shall not be liable under this policy as to net profits for more than the net profits prevented by the total or partial suspension of business, nor for charges and expenses in excess of those which must necessarily continue during a total or partial suspension of business, and then only to the extent to which such charges and expenses would have been earned had no fire occurred; nevertheless this Company shall be liable for such expenses as may be incurred for the purpose of reducing any loss under this policy, not exceeding, however, the amount in which the loss is so reduced.

(3) In consideration of the rate and/or form under which this policy is written, it is expressly stipulated and made a condition of this contract that, in the event of loss, this Company shall be liable for no greater proportion thereof than the amount hereby insured bears to the per cent of the sum of the net profits and all charges and expenses which would normally have been earned (had no fire occurred), during the period of 12 months immediately following the fire.

(4) In determining the amount of net profits and charges and expenses that would have been earned had no fire occurred, whether for the purpose of ascertaining the amount of loss sustained or in the application of the Co-insurance Clause, due consideration shall be given to the experience of the business before the fire and probable experience thereafter.

The Coinsurance Clause Explained for Credit Men's Customers

THE best description of the coinsurance clause (sometimes called the reduced rate contribution clause, the average clause, etc.) that I have seen," says the credit executive of a manufacturing concern, "is the one issued in a small leaflet by the North British & Mercantile In-

surance Co., Ltd., New York. I think many readers of the CREDIT MONTHLY would find it useful,—as I have,—in explaining the coinsurance clause to their customers."

The explanation is printed below by special consent of the insurance company.

The Coinsurance Clause in effect is an agreement between the Insured and the Company that the former shall maintain insurance equal to 80%, 90% or 100% (as the case may be) of the value of the property covered, and failing so to do shall himself bear such portion of any loss as the insurance lacking would have paid if in force.

If the 100% (or full) Coinsurance Clause is used, then the insured is entitled to recover such proportion of any loss as the total insurance bears to the total value of property covered. Thus, if the insured maintains concurrent insurance equal to the total value, the insurance pays all of any loss; if less than the value, then it pays proportionately less of the loss.

The 80% clause is identical in principle with the foregoing, merely reducing the amount required from 100% to 80% of the value of property covered. Thus, if the insured maintains concurrent insurance equal to 80% of the value, the insurance pays all of any loss (up to the face of the policies); if less than 80% of the value is carried, then it pays proportionately less of the loss.

Actual Application of the 80% Coinsurance Clause: If the value of property covered is \$7,500, the insured should carry at least \$6,000 insurance, which is 80% of the value. If he carries only \$5,000 insurance then he is entitled to collect "no greater proportion of any loss than the total insurance (\$5,000) bears to 80% (\$6,000) of the actual value (\$7,500)" or $\frac{5000}{6000}$ ths of the loss, himself bearing $\frac{1000}{6000}$ ths thereof.

In other words he lacks \$1,000 of the requisite amount and must stand the proportion of the loss which that \$1,000 insurance would have paid. If the insurance carried is but \$4,000, then it pays $\frac{4000}{6000}$ ths of the loss and the insured bears $\frac{2000}{6000}$ ths thereof. But if he carries \$6,000 insurance, which is 80% of the value, then he is entitled to collect $\frac{6000}{6000}$ ths of the loss, namely, all of it.

Another method of illustration is as follows:

Value of Property	Amount of Ins. Required	Insurance Carried	Loss	Insurance pays	Insured bears
\$7500	\$6000	\$5000	\$3500	$\frac{5000}{6000}$ of \$3500 = \$2917	$\frac{1000}{6000}$ of \$3500 = \$583
7500	6000	4000	3500	$\frac{4000}{6000}$ of \$3500 = \$2333	$\frac{2000}{6000}$ of \$3500 = \$1167
7500	6000	3000	3500	$\frac{3000}{6000}$ of \$3500 = \$1750	$\frac{3000}{6000}$ of \$3500 = \$1750
7500	6000	6000	3500	$\frac{6000}{6000}$ of \$3500 = \$3500	$\frac{0}{6000}$ of \$3500 = 0

If in any particular case one wishes to know how much of a loss the insurance will pay, let him set down 80% of the total value of the property covered, the total amount of the insurance and the total amount of the loss, and then work out the example precisely as in the illustration.

The Firm's Credit Protected by Life Insurance

By George A. Goodridge

Penn Mutual Life Insurance Company

YES, Mr. Smythe, that's a satisfactory statement." The speaker was A. B. Turner of the Eighth National Bank, vice-president in charge of credits. "In the past we have been disposed to grant your requests, and we can let you have what you ask for now."

"Thank you, Mr. Turner; you have always treated us very decently."

"But I would like also to call to your attention a matter of great importance—of increasing importance. You notice that on our last lot of statement sheets we have followed the form approved by the National Association of Credit Men and have added these questions. 'How much life insurance do you own? To whom payable?' Bankers are going to stress more and more the importance of corporation and partnership insurance, and we are now going to include that item in the column of assets. *Life insurance is very definitely an asset*, and an element of greatest importance in the credit of a concern. It is increasingly recognized as such."

"I believe in life insurance myself," remarked Smythe.

"I'm glad you do. Insurance for a man's family protection is, of course, essential. But does your firm carry any insurance upon your own life, to protect your company if you die suddenly?"

"Well, perhaps we—"

"Mr. Smythe, you want me to be frank with you. Let me tell you that one of our directors used your name in yesterday's meeting, as that of a man almost essential for the life of your company. The attitude of our board toward your loan, in the event of your death, is a matter of real interest to you, is it not?"

"You're right!"

"Don't you see what a great help it would be, if this or any later loan could be met at once, by the payment of a life insurance check? That might be the means of preventing a forced liquidation of the business, with serious consequences to your family."

"I am glad you have called that to my attention. I spoke to Jones about it a while ago. He felt the expense was too great."

"Do you feel," asked the credit man, "that 3 per cent (less than that, in fact) is a high rate for a vital protection of this sort? You are under forty, aren't you?"

"Thirty-eight next month."

"Well, for only \$90. a month, for the first year, and a regularly reducing deposit annually thereafter, you and Mr. Jones (if he is about your age), may have the satisfaction of knowing that upon the death of either one of you, your \$20,000 loan will be paid immediately, avoiding embarrassment possible should the loan be called without this aid at hand; reassurance will be afforded your merchandise creditors, and the readjustment of your business can be brought about without hardship or danger to the interest of your business and your family."

"You are a better life insurance salesman, Mr. Turner, than many who call upon me."

"Maybe so. You see that I have a sort of interest in the use of the funds of those for whom the bank is trustee. That leads me to urge you and all borrowers to take this simple and important step, knowing that I am at the same time doing you a real service."

Forced Liquidation Avoided

"Suppose that, for any reason, we should dissolve the firm,—what about the insurance then?" Smythe asked.

"Why, then you have repayment of the cash values, if you and Mr. Jones do not want to continue the policies as personal protection. In ten years, you would have a cash refund of over \$6500. and in twenty years I believe these values would equal nearly \$15,000. And do not forget that

the loan values are constantly at your command in any emergency. *Life insurance loans have saved many a concern from disaster.*"

"I believe we shall have to do something of this sort soon," said Smythe.

"You surely will," was the quick rejoinder. "I mean that, one of these days, bank loans may be conditioned upon ownership of policies by the borrower. Brain insurance is every bit as important as fire insurance. Merchandise can be replaced, usually without serious delay. But a directing genius must first be born and then be trained; it takes time. Competition doesn't stop while a manager is being educated for his task."

"Thank you Mr. Turner, for your suggestion. I can assure you that Jones & Smythe will take it seriously. Good day."

If Partnership is Dissolved

Sequel: Smythe converted Jones to see the wisdom of the bank's advice. Two weeks after the above interview, Jones & Smythe became the owners of two ordinary life insurance policies for \$25,000. each the average net annual deposit over ten years \$1100. At the end of that time the firm dissolved, the assets being increased by \$8200,—the cash values of the policies which had protected the firm's credit for the ten year period.

A Whole Trade Profits Through Reduced Insurance Ratings

By C. H. Waterbury

Secretary, National Wholesale Druggists' Association

How an industry can study its peculiar fire problems, correct bad conditions, and thus secure great reductions in insurance rates, is indicated in Mr. Waterbury's article, based on an address made by him before the National Fire Council.

THE dependence of credit upon insurance has been repeatedly stressed by the Committee on Fire Insurance of the National Wholesale Druggists' Association. In one report, the Committee, feeling that well protected plants could be kept safe only by frequent inspection, offered the following recommendations, in which it should be noted that the members desired to go even further than their own immediate plants and to protect the whole district in which they are located and also to protect their customers, the retail druggists:

"A closer connection should be maintained with the National Board of Fire Underwriters in Chicago by correspondence and by greater effort to follow all its suggestions as far as possible in reference to fire prevention.

"Your committee recommends the use of the fire drill by our members, and the appointment of a reliable employee, subject to the approval of the local tariff or inspection bureau, to inspect every week or two the entire premises and report upon properly printed blanks both to the firm and to the tariff bureau.

"Your committee urges that our members endeavor to secure in every State the enactment of a fire marshal law modeled after the most approved known.

"Our members in their different cities,

are urged to insist upon the most approved fire preventive measures, such as the placing underground of all electric wires in the congested districts, abundant water supply and a thoroughly well equipped fire department

"Your committee urges that our members recognize the great dependence of credit upon insurance. For this reason it recommends the distribution to the retail drug trade of educational insurance literature and the securing of full information from retail customers as to the amount of insurance carried on their stock, names of companies and dates of expiration of their policies."

Although all the wholesale drug houses do not adopt the same rules for fire protection, the following is a sample of those most in use:

Fire Protection Rules

"No smoking allowed in the buildings nor on platforms outside.

"Safety matches only are allowed in the buildings. Never throw them on the floor.

"Sweepings and rubbish not allowed in the building over night, but must be taken to the furnace room, and containers, when emptied by the fireman, are to be called for the following day. Glass, tin, old iron and non-combustible material must be kept in a separate container and not thrown in with the other rubbish.

"Before leaving at night, close all
(Continued on page 34)

The Conversion of Peter

By Frank R. Otte

"H I there, Peterkin, you old moss-back!" Peter Moss turned slowly on the creaky bookkeeper's stool that for the better part of the morning had held him perched close to the high desk. The voice booming in his ear did not startle him, but the irritating epithets "Peterkin" and "mossback"—Peter cringed. He loathed caricature, for 'way down deep Peter knew the merrily spoken words were but insinuations directed at his real self. Peter the Great, or Peter the Bold, or even Peter the Hermit—once Moss had dared to dream of deeds fitting him to some such title. But Peterkin—Manikin, Peterkin the manikin—how realistically that fitted! And he knew it.

Once long ago some one had called him that with scurrilous intent, and the same evening Peter stood on his tiptoes to challenge himself in the mirror; but the mirror won and Peter fled. Fortunately for him the glass showed only physical diminutiveness; it did not reflect his soul. Thus it was that the name Peterkin caught and stuck, just like Lux or Gold Dust or Wrigley's, and Peter, unable to counteract the evil influence of it shrunk closer to himself until like a grotesque miniature of the Thinker, he groveled over his books, ponderous ledgers, dusty tomes. He drew them close until Peter and the books became co-occupants of a single soul, Peter's soul, Peterkin, the mossback.

"Climb down, old thing, and listen to the sage spill the saddest but soundest news e'er spoken by a credit man."

Peter obeyed,—sidled down from his stool; it was an ape-like movement, the only thing that Peter did with agility. He was vexed and yet he wasn't vexed, for what man could ever be peevish when Big Ben Tooley chose to expand his vocal cords, even at the expense of those who listened. And then, that smile was enormous, as huge as the physical body that imprisoned the heart of Ben Tooley. And of this—those close to him were often

inspired with the thought that the Creator had so ponderously imprisoned Ben's ventricles and pulmonaries just to keep the external Tooley balanced with the internal.

"My dear sir, how vastly you enter into things." Peter's voice was ever so piping and yet he spoke each syllable with meticulous care. It was a pose by which he had long tried to circumvent the indignities of others.

Big Ben laughed, "And how vastly I

"Then I should say I'm not in the market." Peter liked that. "Well spoken," something inside of him said.

But Ben came back with a lightning thrust, "As if you could get rid of me, unsight unseen. Why man, 'not in the market'?—and I haven't even told you the product."

"But Ben," and Peter made a half turn toward his desk to cast an affected wry glance at the books, "I'm just buried, just buried this morning. Couldn't you come back—"

"Buried! Why Peter, old thing, I've come to dig you out. When I leave, you'll give me your blessing for admitting you to our charmed circle of benefactors."

"Well—" Peter grudgingly drew a chair up to the table and sat down motioning Ben to do likewise. After all, standing side by side was too awful, seated the physical comparison seemed less grotesquely to Peter's disadvantage.

"Peter, you have heard about the fund for the prosecution of commercial crooks?"

Peter's heart took a terrible leap. Yes, he had heard about it. So this explained Ben's unexpected call. Peter shook in his shell, tucked in his arms and legs, then drew in his head.

"I've heard about it," he squeaked.

"Of course you have." Ben hurried on: "For a long time we've all individually been playing a lone game against the credit crook's insidious guerilla warfare, and the

result, well, in cold dollars it's estimated as high as \$400,000,000 annually. Terrible! But listen,—the defensive method of individual potshooting is over. Peter, we're going to mass our forces for the biggest clean-em-out drive ever dreamed of. For this purpose, Peter, the National Association of Credit Men is raising \$1,000,000 immediately—more later. They're due to spend \$500,000 annually in an organized campaign directed against credit crime."

Peter looked bored as he played a rap-

(Continued on page 50)



"INDEED, PETER SO FORGOT HIMSELF AS TO PUFF OUT HIS CHEEKS TO JOIN IN THE BLOWING."

must enter into this thing,—for I come to sell you a share in the greatest, the most virtuous scheme ever conceived by those who toil for bread—or—or cake."

Peter hated to be sold; mentally he ran through the list; insurance, real estate, bonds, automobiles. But none of these fitted Ben Tooley. It may be that he had missed his calling, but, for better or for worse, Big Ben had chosen the credit profession. Peter squared back his puny shoulders,—for whatever the product, Ben with a sample case could prove dangerous.

"Hew to the Line!"

Advantages of Ruling Balanced Accounts in Red

By Frank G. Hathaway

Manager, Department of Service, National Association of Credit Men



F. G. HATHAWAY

WHEN the pen, rule, ink, and vest protector gave way to the nimble fingers of the Book-keeping Machine operator, we in our anxiety to be ultra modern lost sight of the humanness of the ledger and looked on it as purely mechanical. The result was that most ledger pages became a mass of jumbled figures which only a very technical man could understand. Like the old time photographer, we unconsciously directed our attention toward making the subject appear other than its real self.

But the modern credit executive, who realizes the possibilities of the machine-kept ledger, like the modern photographer, is directing his attention toward the bringing out of character in the picture,—for after all the ledger page is a picture of your customer. It is the customer's diary. The debit side records when he started with you, how carefully he buys, how successful he has been, his dull and slack periods, etc. The credit side indicates how he pays, reminds you of when there was sickness in his family, or when business reverses were suffered. This record is the most valuable piece of information in the hands of the credit executive.

When the photographer brought character into his pictures by reaving the lines in the face of his subject, in developing rather than erasing what appeared to be a blemish on the surface, he did exactly what a firm of large wholesale grocers has done in the middle west. They started putting lines on their machine-kept ledgers and red ones at that. At regular intervals once a month, the operator ruled the ledger as shown herewith. This was done by taking a section of the ledger, laying it flat on the desk and drawing a line immediately under the balanced items.

Occasionally this could not be done, because of a credit memorandum which was not taken care of, or an invoice skipped in settlement. This condition was reflected on the statement, as no balances were carried forward, all open items showing thereon. Where invoices were skipped they were called to the customer's attention and the customer was urged to deduct his credits in making his next remittance. It happened occasionally that the remittance did not cover any particular group of invoices, which condition allowed the firm to check up the receiving department to ascertain if any goods had been returned or any allowances made that had not come through on the book and thus avoid asking the customer what items he intended that particular remittance to cover.

The bookkeeper ceased to be merely a mechanic in that he was constancy striv-

ing to rule his ledger and keep the accounts in line. With this additional interest came more accurate postings, as it enabled the operator to see at a glance the picture the ledger was designed to show.

The time element was taken care of in the speed of making statements, which in this concern were made each week for the salesmen and each month for mailing to the customers. The trial balance could be taken off much more rapidly and when out of balance could be checked back much more readily than if the balanced accounts are not ruled.

The credit executive, instead of seeing a mass of figures, saw at a glance the paying habits,—how consistently the customer cleaned up the small as well as the large items, how he took advantage of

the credit memo, all of which indicated the way he kept his own accounts. It eliminated the tendency on the part of some customers to pay in round figures, leaving small balances to clutter up the ledger. It showed the sales manager at a glance the method of buying, and the number of credit memos.

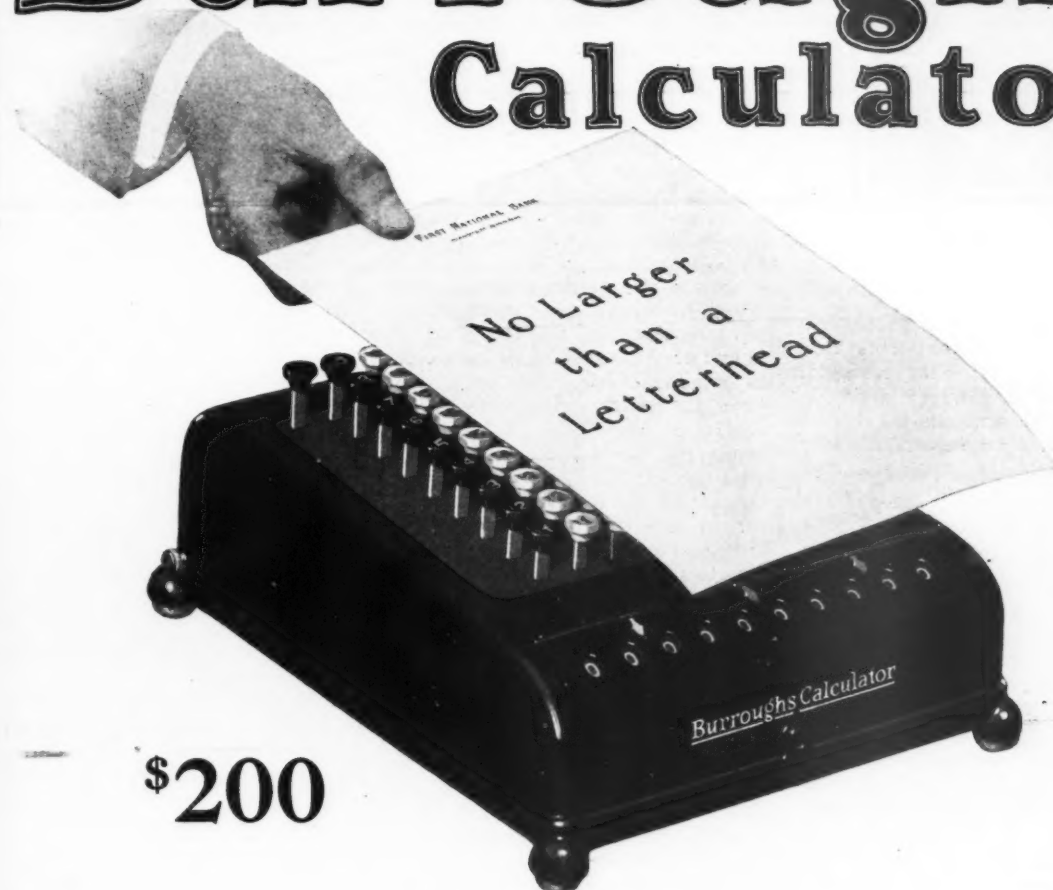
The red lines showed the character not only of the customer, but of the house as well, because 75 per cent. of discrepancies in accounts are caused by negligence on the part of the sales and credit departments.

In the words of our gone but not forgotten friend, Burton Lester Taylor, who conducted his famous column "A Line-o-Type or Two" in the Chicago Tribune, "Hew to the line, let the quips fall where they may!"

SHEET NO. 1 DATING 2-3 NAME John Doe Dealer				ADDRESS 154 Main Street			
TERMS 2-10 CREDIT LIMIT \$500.00				CREDITED \$100.00			
DATE	DEBIT	CREDIT	BALANCE	DATE	DEBIT	CREDIT	BALANCE
JAN 1	181.00		181.00	JAN 2	2.00		183.00
JAN 3	2.00		185.00	JAN 3		10.00	175.00
JAN 5	2.00		187.00	JAN 5		10.00	165.00
JAN 6	2.00		189.00	JAN 6		10.00	155.00
JAN 10		10.00	165.00	JAN 10		10.00	145.00
JAN 12		2.00	147.00	JAN 12		10.00	137.00
JAN 15		2.00	135.00	JAN 15		10.00	125.00
JAN 18		2.00	123.00	JAN 18		10.00	113.00
JAN 20		2.00	111.00	JAN 20		10.00	101.00
JAN 22		2.00	99.00	JAN 22		10.00	89.00
JAN 25		2.00	87.00	JAN 25		10.00	77.00
JAN 28		2.00	75.00	JAN 28		10.00	65.00
JAN 30		2.00	63.00	JAN 30		10.00	53.00
FEB 1		2.00	51.00	FEB 1		10.00	41.00
FEB 3		2.00	39.00	FEB 3		10.00	29.00
FEB 5		2.00	27.00	FEB 5		10.00	17.00
FEB 8		2.00	15.00	FEB 8		10.00	7.00
FEB 10		2.00	5.00	FEB 10		10.00	0.00
FEB 12		2.00	3.00	FEB 12		10.00	0.00
FEB 15		2.00	1.00	FEB 15		10.00	0.00
FEB 18		2.00	0.00	FEB 18		10.00	0.00
FEB 20		2.00	0.00	FEB 20		10.00	0.00
FEB 22		2.00	0.00	FEB 22		10.00	0.00
FEB 25		2.00	0.00	FEB 25		10.00	0.00
FEB 28		2.00	0.00	FEB 28		10.00	0.00
FEB 30		2.00	0.00	FEB 30		10.00	0.00

RED RULES SHOW AT A GLANCE THE CUSTOMER'S BUSINESS, IN DICATING CHARACTER, CAPACITY AND THE ACCUMULATION OF CAPITAL—OR SERVE AS A WARNING OF BAD PAYING HABITS THAT MAY FORESHADOW FAILURE.

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THE CREDOSCOPE

J. V. Tregoe

Distress Merchandise

OUR merchants and particularly our credit departments have not begun to realize the costs and disarrangements brought about by dumping large amounts of distress merchandise on unprepared markets.

In the liquidation of insolvent estates through friendly process and through bankruptcy the main question seems to be how merchandise can be disposed of to the best advantage from the creditors' viewpoint. It sometimes happens that a business enterprise in an insolvent or embarrassed condition is continued under the supervision of creditors. Merchandise is bought and sold with no thought of how the liquidation of this particular enterprise and the handling of distress merchandise is affecting the business of the community.

Through the assistance of the adjustment bureaus of the National Association of Credit Men I traced last year the movements of several million dollars of distress merchandise. But I could not find any single instance where the disposal of this merchandise was controlled by any other motive than that of realizing the most for it, with no protection in its movements—to the merchants who are striving to make a living by selling goods on fair terms and paying for them according to contract.

The distress merchandise problem must receive a more generous share of our critical study and be subjected in its control to more systematic handling than has up to the present time been generally the case. A creditor may fare better in an insolvent case by having the merchandise handled to the best possible advantage, but this same creditor may be sacrificing business and causing the loss of some other account through the stifling of competition that the sales of the merchandise have brought about.

This is one of the problems upon which we must throw the searchlight of a most critical investigation. It is one of the occasions of high costs in merchandising; and we cannot hope to control costs without the control of every leak. Not until recently did this subject come to me with the full force of its importance, but I now realize how uneconomic we are as a rule in the handling of distress merchandise. I am beginning to feel that where the merchandise is sold after the liquidation of an insolvent estate is just as important as the price obtained for it. If it is going into a community where it might serve to stifle legitimate merchandise or to make legitimate merchandising more difficult, then it were better to take a little less for the merchandise and have it go where its competition will not react unprofitably on other creditor merchants.

It would be well for a deep interest to be aroused in this subject. It is an old, but, in a sense, a new problem, because it has never received the study that it deserves on the part of sales and credit departments. Wherever costs of merchandising are under study, this subject must be analyzed and closely scrutinized, else one of the causes of high costs will have been neglected. It is clearly a credit problem because unfair competition makes legitimate merchandising difficult and increases the dangers of credit liquidations.

Price Cutting

PRICE CUTTING is not a healthy stimulant for business. Our chief problem these days is high costs, and unless profits are sufficient to absorb the costs and leave a little for compensation to capital investment, there is neither safety nor pleasure in a business enterprise.

Unless an article is well sold,—that is, has been sold at a reasonable

profit,—it had better not be sold at all, according to my point of view; and yet this philosophy may be attacked by some who believe that volume distribution is the safeguard of a business.

I am confident that in some particular lines,—and I need not mention them,—price cutting is being indulged in for the sake of making sales. This kind of business jeopardizes the existence of many of the business operators who fail to realize that there must be a margin between cost and selling price that will take care of the overhead and leave something for capital.

Price cutting is indulged in too frequently by business operators who cannot afford it, who face failure as their little capital is eaten up by costs which the profits of distribution were insufficient to absorb.

Credit managers are on tenterhooks when realizing that their debtors are doing this kind of business and thus increasing the dangers of the credit risk.

I have realized of late that if one thing above another needed constant emphasis, it was the courageous control of costs and sales on a proper margin of profit.

If there are more operators in a particular field than can distribute at a reasonable profit, then something should be done to eliminate the unsafe margin, and allow the remainder a reasonable opportunity for success.

Nothing appears to me as more imprudent, unsafe and unbusinesslike than the slashing of prices for the purpose of making sales.

Credit managers should be valiant and prudent enough to keep this unsafe feature of business constantly in mind and to urge their debtors to abstain from it. Not many business operators are foolish enough to skate on thin ice when they are told that the ice is thin.

Whenever volume is at the cost of profits, then the business could offer no greater danger than volume.

Price cutting is uneconomic from every viewpoint, so far as I can see it,—particularly uneconomic when the abilities of a debtor to meet his obligations rests upon the manner in which he makes his sales.

Business service has in price cutting a worthy object of attack; and every credit department should be keenly alive to the need of reasonable caution and extreme urgency when necessary.

The Freedom of Credit Information

IF anything has helped along the prosperity of our country, it is the flexibility and usefulness of our credit system.

We could have no credit system without a mechanism functioning in a manner that gives wholesomeness and usefulness to credits.

Wherever a business or a banking enterprise sells goods or makes loans on credit terms, there is an indebtedness to the credit system that has made possible the wideness of our business and financial transactions, and yet it is an obligation too little recognized.

When the Nation was entering the period of its real prosperity nearly three decades ago there was no cohesion in credits, there was a looseness in the credit structure for the reason that co-operation and the interchange of experiences and information did not prevail.

The credit experience or information was considered as an asset,—to divulge it would have seemed to be turning over to competitors an advantage that they should build up for themselves.

This kind of philosophy was found to be radically wrong, and only as we substituted for it a free and reciprocal interchange did we give to credit technique that cohesion and form that justify its designation as a system.

With all of this experience back of us, with every impulse to the maintenance of a credit machinery that will conserve the flexibility and usefulness of credits, we still find some institutions asking a price for their experiences or information, or arranging to have the information or experience sold to the inquirer through an organization formed for the purpose.

Some state bankers' associations have approved of making a charge for credit information, and in so

doing they have overlooked the basic fact that the fluidity of credit and its usefulness to them was founded upon a free and reciprocal interchange.

Frequently many banking institutions are found asking a price (usually a small one) for their credit information. The idea is entirely foreign to our modern requirements and opposed to that progressiveness which gradually transformed closeness into freedom of interchange.

I feel very strongly on the subject. Although we have endeavored to show to all institutions the need of a free policy in interchange of credit information, yet there are still offenders most of whom are doubtless unconscious of the wrong they are doing to credit, the element upon which our prosperity is largely based.

There must be a free though carefully guarded circulation of credit information in order that the selection of risks may be intelligently made. To impose a charge for the information is clogging the channel and making it more difficult for us to preserve the principles on which our wide credit circulation is based.

The Regulation of Work

VIVIANI, premier orator of France, has passed out. The fires of his oratory burned him up. Nervous energy is a capital quality in public speaking, but if the fuel is not well regulated it will some time burn up the furnace.

The more closely I look around, the greater is my respect for work. It is a chief element in personal and national success. Work makes capital, and the preservation of capital requires work. A circle is thus established, and the continuity of it cannot be broken with impunity.

Unregulated work, however, does not get one anywhere. It is just as ineffective and dangerous as an army moving to the attack of the enemy's lines without a preconceived plan or a directing head. There must always be an objective and a persistent striving toward that objective, with a regulation of the work needed to attain it so that the human gear will be expertly and safely handled.

The work that is the most effective frequently does not show upon the surface. It is the mental work. The work that shows upon the surface is just the kind of work that moves a person in circles rather than straight toward the goal.

Planning one's work is just as necessary as planning for any enterprise; and as the plan is good, and

closely followed, so the work will prove effective.

I have seen a great many people who seem to be very busy and yet were getting nowhere. They were moving hither and yon, using up their fuel without going straight forward to an objective. I have seen this kind of work in credits,—managers of credit departments fussing and fuming, moving about in circles, and apparently unconscious of the fact that they were merely burning up fuel without any forward movement.

Every bit of work should tell. It should move one in a direction carefully laid out, and with the burning of as little fuel as the movement requires.

There is no line of human endeavor in which good regulation will produce better results than in the careful and wise regulation of one's work.

Everybody's Problem

THE primary consideration in levying national and state taxes should be raising sufficient sums to operate governments prudently and economically.

Taxation is everybody's problem. He who does not pay an income tax may regard himself as immune, but the shelter, food and raiment he must buy cost more when taxes are increased. Consequently every person who buys commodities pays a toll for the cost of government.

Let us appeal for an intelligent treatment of Federal taxation as we approach the coming session of Congress. There should be a modification of our tax laws embracing economies as for instance, a combined normal and surtax rate not exceeding 25 per cent. This revision would turn the flow of money from tax exempt securities into industry, a condition that the welfare of business requires as its need and opportunities grow.

Inheritance taxes should be dealt with fearlessly and impartially. There should be an elimination of that duplication which at the present time makes possible a virtual confiscation of property by means of taxes. There should be also a simplification of methods in, levying taxes, so that the cumbersome, annoying and costly refiguring of tax returns may be reduced to a minimum.

The debate will soon be on. Every person should take his stand, so that by united demand the proper modification may be granted.

Billing Problems Solved

Executives Find Machinery Adapted to Various Needs

By Eleanor Boykin

BILLS, bills, bills! When the Ultimate Payer sees the flock of bills which overflow his mail-box on the first, second and third of every month, he is quite likely to think that he is the only one who suffers on account of these none-too-popular sheets of paper. But sometimes, if he could be made to believe it, the senders might be inclined to say to him: "These hurt me more than they do you;" for billing under modern business conditions is a complicated affair and presents many a tough problem to accounting officers. Or, at least it did. The tough problems have softened up considerably with all the new, adaptable equipment and the efficiency systems that have been worked out. The question is how to get the invoicing done as expeditiously as possible, performing as many other accounting operations at the same time as can be done.

There is no complaint to be made about lack of machinery. The machines are available. Go around and inspect them all, and each seems more remarkable than the last. The only things they won't do are talk and think. Some are typewriter machines built especially for billing, the bills to be copied only; some will add and subtract; another does every sort of computing except division. Almost any of the machines sold for billing can have attachments added which will provide for addition and cross computing. Practically all can be used for straight tabulation work, and for distribution or totals. Having made these broad general statements, let us take a few little journeys to the homes of some of our best companies and see how and with what they are doing their billing jobs.

Little Waste Motion

A little jaunt to a quaint old street that slips quietly along to the west of Broadway for a dozen or so blocks brings us to the doors of the American Hard Rubber Company, a long-established house and surely worth a visit. Presiding over a large, well-organized office where there is plainly little waste motion, is the Comptroller, A. V. Bristol.

"Yes," says the Comptroller, in answer to our questions, "we have a very satisfactory system of billing now, one that we have worked out with much care to suit our business. Our machine is very simple,—merely a typewriter with an attachment which enables us to use the continuous forms, called fanfold, so there is no stopping to pick up new forms and insert carbons. As each set is taken out of the machine, a handle pushes back the carbons, and the next set can be turned into place.

"Since we make six carbons, you can see what this means in time-saving. What becomes of all those carbons? I'll write it down for you,"—and he did.

Original and Duplicate—To customer.
File Copy—For our numerical file of invoices.

Posting Copy—To bookkeeper for ledger.

Shipping Copy—To Shipping Depart-

turer's Tragedy. "Our machines are not motorized. They don't need to be. Our operators produce a very high average of completed invoices a day; they are graded by the number of lines they complete per day, and this serves as a basis for promotion."

Next to "Fire!" and "Police!" two of the best known words implying speed in the language of business are "Western Union." And since we are looking for fast methods, it is natural to turn in at a Western Union office. The billing for New York City is all done in the large building which fronts on Hudson street; and here sixteen billing machines are kept busy every minute of the working day and at a pace which sounds incredible. Listen to J. O. Newman, head of the division, tell about it.

"We measure production by units. Every item entered counts as one unit, every bill put in and taken out of the machine makes up 1½ units. Our operator,—who weighs about 80 pounds,—has a rate of 600 units an hour.

"How do you get such speed?"

"Careful supervision, first, of course; careful training (all the operators are trained here from the beginning); and then by encouraging rapid work with a bonus. Whenever she goes above 365 units an hour, a girl receives a premium."

The telegraph business is of course not comparable to the textile or automotive business, but the principles on which it is run are not unlike those of any commercial institution; and the Western Union furnishes a striking example of simplicity in method. H. Bolshaw, the manager of credits and collections for the New York office and an active member of the New York Credit Men's Association, described the billing system to the visitor. Here is the gist of it:

After a message is dispatched from the main office, it is filed with the others of the day, according to the state and city of its destination. The cash messages are segregated and the sum of their totals compared with the cash receipts as a check at the end of each day. The charge messages go to the Accounting office, and under the general supervision of Mr. Newman, are arranged in alphabetical order by the sender's name. From these, postings are made on the billing machines to the customers' statements, kept in alphabetical sections.

There are two adding registers on the machine, though there might be a great many more if they were needed. One of these registers holds all the



THE ATTACHMENT ON THIS ORDINARY TYPEWRITER ENABLES THE OPERATOR TO MAKE SEVERAL COPIES. THE HAND METHOD OF INSERTING CARBON SHEETS IS AVOIDED BY THE FANFOLD DEVICE, WHICH PROVIDES A CONTINUOUS AND AUTOMATIC SUPPLY OF FORMS AND CARBONS.

ment for packing and shipment of goods called for.

Packing Copy—To serve as packing ticket. This tears off on the side and so shows quantity only, no prices.

Statistical Copy—For our sales sheet.

"The shipping copy goes down-stairs as soon as we can get it down there," Mr. Bristol continued, when he had laid his pencil down; "and then after the goods have been packed and weighed, the transportation charges are put on the bill and it comes back to this department, so the figures may be added to the other copies. It is not necessary for all these to be put into the typewriter, for the postage or expressage may be handwritten on our own copies."

"Isn't there any way out of having to add the shipping charges after the invoice has been through the machine?"

Mr. Bristol shook his head. "Not with safety. If we were to make up the orders from the original, goods would often be shipped out to the customer without his ever being billed for them. And that—well, you know how we would feel about that." We can imagine that that would be a fit subject for A Manufac-

The Comptometer speeds turnover

Profits in merchandising depend largely upon turnover.

But the control of turnover rests upon timely information of the movement of goods by departments and lines, which information can be obtained only from an adequate distribution of sales.

By its high speed on all figure work the Comptometer quickly supplies the statistical data necessary to the control of turnover at the least possible cost and effort. Coupled with this speed are the automatic safeguards against human error in operation—the Controlled-key and "Clear" register signal—which assure the highest possible degree of accuracy.

The work done by the Comptometer in the office of the Bailey-Farrell Mfg. Co., Pittsburgh (pictured below) and described in adjoining column, is representative of its work in thousands of other offices.

A Comptometer man will be glad to show you by an actual working test what the Comptometer, in conjunction with the Comptometer Strip Distribution System, will do on your work.

**J. Fred Allen, Auditor of
Bailey-Farrell Mfg. Co., says:**

"For the purpose of analysis, we divide our merchandise into 50 departments, where each sale is allocated to its respective department, at both cost and selling price.

"By a further division of sales by territories, we find the amount of merchandise sold from each department by each salesman and the gross profit thereon.

"These figures, used in conjunction with our accounts payable data, enabled us last year to reduce our inventory by many thousands of dollars—a result that more than paid for the system and the expense of its operation for the year.

"All the figuring involved in this work is done with two 12-column Comptometers."



FELT & TARRANT MFG. CO., 1717 N. PAULINA ST., CHICAGO, ILL

If not made by
Felt & Tarrant
it's not a
Comptometer

CONTROLLED KEY
Comptometer
REG. TRADE MARK
ADDING AND CALCULATING MACHINE

Only the
Comptometer
has the
Controlled-key
safeguard

THE Model 23 Remington Bookkeeping Machine will error-proof your bookkeeping, and that of itself is a service of supreme importance.

In addition this machine performs the work of ledger posting with incomparable speed and efficiency. It saves time and labor by the combination *in one operation* of several bookkeeping tasks usually performed separately. It is in every respect the complete bookkeeping machine—rendering a complete service.

The universal adaptability of the Remington Bookkeeping machine is proved by the fact that it is now in successful use in over 400 different lines of business. It meets the needs of both wholesaler and retailer, and it is equally efficient in statement writing and ledger posting—whether done in combination or separately.

SEE IT!—EXAMINE IT!

A card to us or our nearest branch office will bring a demonstration without obligation to yourself.

REMINGTON TYPEWRITER COMPANY

Accounting Machine Department

374 Broadway, New York

Branches Everywhere

Prevent Bookkeeping Errors

Lower Bookkeeping Costs



New Model 23 Remington Bookkeeping Machine

seven items and the girls produce about 200 invoices a day, those who have perfect records are doing pretty well, don't you think so?"

Grouping the Work

"Of course, we are working according to carefully thought out plans to avoid as far as we can the possibility of misunderstanding and erroneous copying. And for speed, we find the unit system the best—that is, we divide our orders so that the same group handles the kinds with which they are most familiar every day. These workers sit in a unit together so that the papers are passed from one to the other, without any one's having to leave his or her place—the marker who inserts the prices, the comptometer operator who makes the extensions, the billing operator and the checker."

The machines used by the company are the flat writing surface type, with no computation attachments. The forms (there are seven copies made at once) are automatically fed from a large roll, which has an advantage over the folded forms in that there is tension on each individual sheet and there can be no creases or curling edges on the invoices. Another reason why some users prefer the rolls is that they can use one grade of paper for the invoice and cheaper grades for the office copies.

The carbon feeds trans-versely

across the writing surface, a spindle on one side leasing fresh carbon while one on the opposite side rolls up that which has been used. Practically not a square inch of carbon is wasted, and once wound on the starting spindle, it can be forgotten for a long time.

In the offices of Levinsohn Bros. & Co., this same writing head is used, but with a different base, manufactured by the company, which has designed a very remarkable register for hand-written invoices. The forms are also automatically fed into the machine, but each copy comes from a different spool. The movement of the forms is guided by punches, so that the copies may vary both in width and length and yet remain in perfect register. It happens that Levinsohn Bros. & Co. require two variations in the size of their

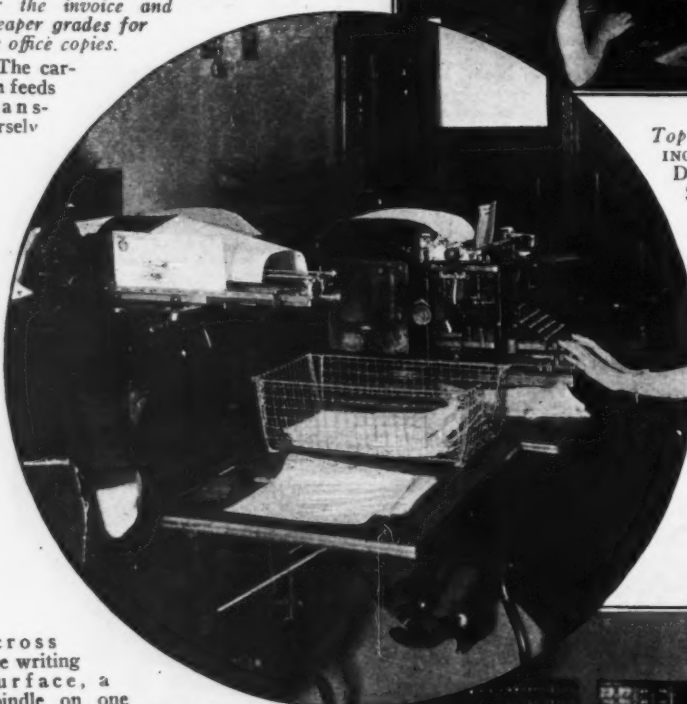
billing forms the express receipt and duplicate and the shipping label are all shorter than the other sheets. The prices and amounts are kept off the packing memo. by having the carbon for that sheet only half width.

Another interesting feature is that the carbon, which is stretched across the flat plate as described above, automatically moves a fraction after every entry, so there is always a fresh writing surface.

"A wonderful system," Julius Levinsohn said, in discussing the way in which the machines were adapted to his company's needs in the boys' clothing business. "We get very good results, and our operator likes the machine too. You will notice that every form is numbered. When the book-keeper is posting she can tell in this way that no bill has been lost or misplaced. If a set is spoiled, the posting copy goes to her just the same, marked 'Void.'"



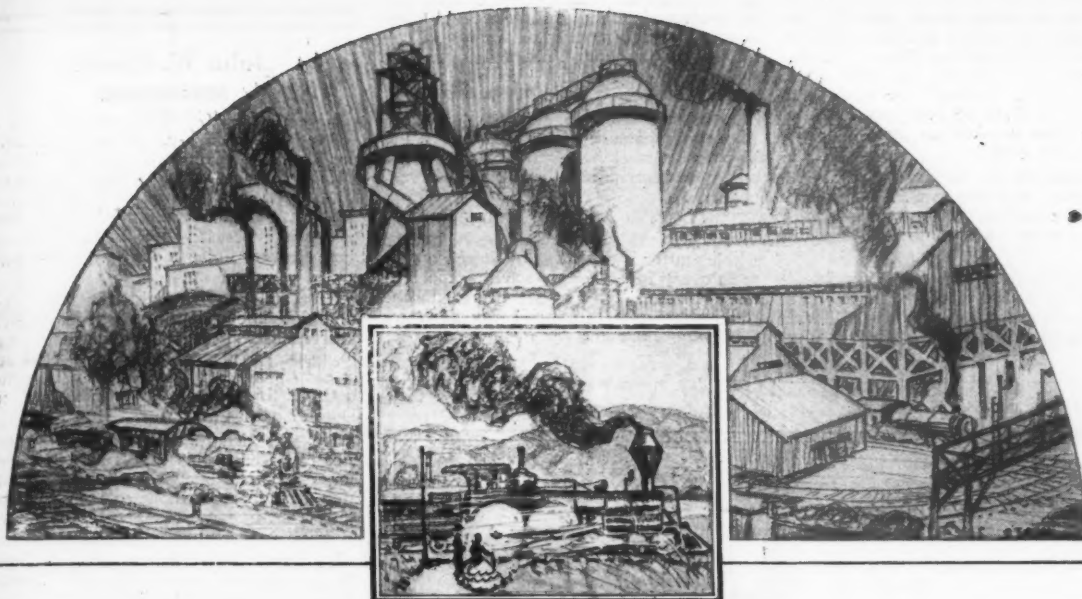
Top: SIXTEEN OPERATORS DO THE WESTERN UNION BILLING FOR THE WHOLE OF NEW YORK CITY ON ELECTRICALLY DRIVEN BILLING MACHINES, AT A REMARKABLE RATE OF SPEED.



Center: ELECTRICALLY DRIVEN MACHINES IN THE OFFICE OF KLAUBER BROS. & CO., N. Y. AVERAGE 200 INVOICES A DAY, ALL EXTENSIONS BEING COMPUTED AT THE SAME TIME. THERE ARE KEYS WHICH WILL PRINT THE MANY ODD FRACTIONS USED IN THE TEXTILE TRADE AT ONE STROKE.

Below: BILLING FORMS ARE AUTOMATICALLY FED INTO THIS FLAT WRITING SURFACE MACHINE FROM A ROLL, WHICH PERMITS THE ORIGINAL AND DUPLICATES TO BE OF DIFFERENT QUALITY PAPER. THE ROLL IS A RECENTLY PERFECTED DEVICE.





Commercial Development Aided By Insurance

Insurance and Credit have played an important part in the rapid commercial development of our country.

The systematic uses of credit made it possible to use credit for the building of capital and marketing large volumes of goods and money over the length and breadth of the land.

Commercial capital in needed amounts would not have been available but for protection against haz-

ards such as fire and casualty. Insurance in soundly-financed companies affords a guarantee against emergency losses, and makes capital less fearful.

See that your interests are properly protected. You can secure this through the many casualty and surety lines written by the Maryland Casualty Company. It is strong financially, and offers excellent underwriting, engineering and claim service.

Accident—Health—Workmen's Compensation—Liability—Automobile—Elevator—Coal—
Mine—Plate Glass—Sprinkler Leakage—Water Damage—Boiler—Engine—Fly-Wheel—
Electrical Machinery—Burglary—Check Alteration and Forgery—Fidelity Bonds—
Surety Bonds



MARYLAND CASUALTY COMPANY

Casualty
Insurance

BALTIMORE

Surety
Bonds



There are so many spools, eight for the entire number of copies, that the operator was asked about refilling these. "It depends upon how busy we are how often they have to be loaded," she said, "but probably I fill them up every week and a half, and then it takes me three-quarters of an hour to do it."

Three-quarters of an hour every ten days! Doesn't that compare rather favorably with the method of inserting new bill-headers and seven carbons after every invoice?

One well-known and well-thought-of typewriter company makes a typewriter especially adapted for billing work. There is a graduated scale for adjusting the paper

to condensed billing, and a decimal tabulator for quick writing of figures in columns. The keyboard characters may be all Gothic, single shift, or whatever is desired.

A posting machine put out by one of the adding machine houses is often used as a statement machine. For quick itemization where no description is necessary it is very useful.

This ends our trip around the billing machine world. The conclusion of the whole matter is this: Just as there's a shoe to fit every foot, there is a billing machine to fit every office. As the old sign in the retail store used to say: *If you don't see what you want, ask for it!*



AMERICA'S TRADE CURRENTS

FROM San Francisco, New Orleans, Boston, Chicago—from every commercial center of importance in the United States and in the world—currents of trade flow to and from and through New York.

In this commerce, the interests of the banker and the merchant or producer are inseparable and interdependent. Let business suffer and banking feels the effect; when trade prospers both banker and customer profit thereby.

The Irving-Columbia's Out-of-Town Office is a contribution to the promotion of commerce. This Office, in the Woolworth Building, New York City, is a banking unit devoted to facilitating the business interests of customers in the United States outside of New York.

Its officers, by maintaining close personal contact with all parts of the country, keep constantly informed on business conditions in various sections, and thus are able to give each transaction that quality of understanding so important to the customer's interest.

Possessing in its own organization every banking, investment and trust service, the Out-of-Town Office, for all customer purposes, is a complete bank in itself. And it offers to customers all the facilities, world-wide connections and total resources of our entire institution.

IRVING BANK-COLUMBIA
TRUST COMPANY
New York

John W. Cherrie

JOHN W. CHERRIE, an executive of R. G. Dun & Co., whose organization he joined 30 years ago, and who died last month at the age of 44, was well known and liked by hundreds of members of the National Association of Credit Men. He was successively advanced through almost every department of the Dun business.

His activities brought him into close and intimate relations with commercial and industrial organizations from coast to coast. He was highly respected and esteemed in every large business center both in this country and throughout the Dominion of Canada.

He was deeply interested in the service rendered by his concern to the members of the National Association of Credit Men and local credit men's associations, and was an earnest supporter of efforts to improve credit conditions.

He was a Past District Deputy Grand Master of the Second Masonic District of Kings County, a Past Master of Anthem Lodge, 769 F. and A. M.; a member of Constellation Chapter 209, R. A. M., Clinton Commandery, 14, K. T., and Kismet Temple, A. A. O. N. N. S.; a member of the New York Rotary Club, Hardware Club, and Crescent Athletic Club of Brooklyn.

Germans Interested in Credit Interchange



DR. JOHN WHYTE

DR. John Whyte, for some years head of the Education and Research Department of the National Association of Credit Men, and now Assistant Professor of German in the College of the City of New York, recently gave a lecture on the National Association of Credit Men in the Handelshochschule of Leipzig (Leipzig Commercial University). The lecture was given to Professor Penndorf's class in Finance and was attended by 100 students. He stressed particularly our system of Credit Interchange which is something peculiarly American. The students and professors (other Leipzig professors attended as well as professors from other countries, Russia, Greece, etc.) were much interested and asked very intelligent questions. Prof. Penndorf, who had access to some of his material before the lecture, had mastered it in thorough German fashion, so that he knew the rather complicated mechanism perfectly,—including the functioning of the Central Bureau at St. Louis.

It is possible that we shall soon see the Germans imitating the N. A. C. M. Service. "In the past war years, business men in Germany have been hard put to get up to the minute information," writes Dr. Whyte. "Antecedent information of the agency kind is of little value in periods of rapidly changing conditions, such as war inflation, deflation, speculation, etc. and German business men have had their share of troubles with bankruptcies, fraudulent and otherwise."



"Let there be light!"

In the New York Subway, there is provided in addition to the usual lighting system, a series of emergency lights that operate on a storage battery and are turned on automatically when the regular lights fail.

Fool proof? Sure! But in addition to these safety lights, each car carries an old-fashioned oil lantern. The subway takes no chances with darkness and panic.

Similarly you should take no chances with fire in your plant. No matter how carefully you may have planned your fire fighting equipment, you need the extra safeguard afforded by the Hartford Fire Insurance Company's corps of Fire Prevention Engineers. A Hartford Fire Prevention Survey almost always reveals a grave though unnoticed danger. Hartford engineers check up your fire hose, operate your fire doors, test your extinguishers, study your watchman system, examine your "house-keeping", and the handling and storage of dangerous or combustible material. This service is free to Hartford policy holders.

There is a Hartford Agent near you. Ask him to put you in touch with this fire prevention service. If you do not know the agent's name, write to the

HARTFORD FIRE INSURANCE CO.
HARTFORD, CONN.



The Hartford Fire Insurance Company and the Hartford Accident and Indemnity Company write practically every form of insurance except life

A Business Fundamental

By RICHARD T. BADEN

President, National Association of Credit Men



CREDIT executives appreciate the immensely important part of the business structure provided by the insurance companies. These great institutions, safeguarded in the interest of the public by governmental agencies, are as much a part of this structure as the banks.

The spectacle of the insurance companies co-operating in various ways and the increase of the size of the companies might have alarmed the public back in the trust-busting days. Now, however, no such alarm is felt. And business men like those bound together in the National Association of Credit Men, look upon co-operation among the insurance companies as a stabilizer of business.

The National Association of Credit Men bases its constructive work year after year largely on a few main subjects of paramount importance to American business. The Association is constantly being invited to take part in worthy movements which its Officers and Directors consider are outside of its field. But the subject of insurance and fire prevention has always been and is today one of the main subjects which credit executives look upon as fundamentals of business.



ESTABLISHED 1782

WHY YOU SHOULD PLACE YOUR INSURANCE IN "THE PHOENIX"

*The Phoenix is
an institution
that—*

- has world wide interests
- is absolutely secure
- has stood the test of time
through 143 years of successful
business operation
- maintains excellent service and
facilities
- handles insurance problems ef-
ficiently and is well equipped
- invites your patronage

PHOENIX ASSURANCE COMPANY, Ltd. of LONDON

100 WILLIAM STREET

NEW YORK

PHOENIX INDEMNITY COMPANY

75 MAIDEN LANE

NEW YORK

A Whole Trade Profits

(Continued from page 18)

doors and hatchways to elevators, dummies, stairways and connecting rooms. Close closets, cupboards, windows and iron shutters. Put all waste paper, etc., in metal containers. A metal container must be used only for this purpose; never throw

it on the floor. Do not come in contact with or injure the sprinkler heads on pipes of the sprinkler system. Goods stored directly underneath sprinkler pipes must be at least eighteen inches below them. If a leak in the sprinkler system is discovered, report it immediately. "In case of fire, take the position assigned to you by the foreman."



A HIDDEN MENACE!

This photograph—taken while the building, located in the congested value district of a city, was being torn down—shows the rear of a fire place chimney that was very nearly burned through.

Directly behind the burned bricks were dry laths—ready to catch fire any time.

Poor construction of this kind is a double menace because there is no way to detect it from the outside. This chimney should have been torn down and rebuilt with a double thickness of good, new bricks—for if the building had caught fire thousands of dollars of property in the immediate vicinity would have been in danger.

In every community there are scores of buildings—waiting to burn—where a few dollars spent in necessary repairs would make them safe for years to come.

Springfield Fire and Marine Insurance Co.

Springfield, Mass.



Saving in Premiums

When considering the benefits derived from a campaign of fire prevention, the first thought is nearly always of the monetary savings in insurance premiums. True, these are important and, in the case of members of the National Wholesale Druggists' Association, these have been very substantial over a period of years.

Insurance rates, formerly sometimes as high as \$3.25 in this line, are now commonly from 16 to 28 cents. The savings are such as to be reflected in the expense account from year to year. But of even greater significance than these more immediately visible dollar savings are the very great economic advantages that have been derived from a minimum of lost operating time and a maximum of continuous operation. The number of days lost by members of the National Wholesale Druggists' Association from year to year because of appreciable interruption by fire, is nil.

At the present time the members of the National Wholesale Druggists' Association are deeply concerned about the exposure hazard and are extremely anxious to have other trades take a course of action similar to their own with the view to minimizing our own exposure hazard and thus reduce very greatly the fire loss of the whole country. The preventive measures taken are for the most part applicable to any trade.

What Has Been Accomplished

Fire prevention work on the part of the National Wholesale Druggists' Association has accomplished a great educational purpose. It has done many specific things, some of which are:

1. It has improved building construction.
2. It has instilled the spirit of carefulness in management and care of property.
3. It has lowered the cost of insurance.
4. It has enlightened the trade and every individual in it on possible fire hazards.
5. It has aided in the maintenance of a continuous flow of commodities by minimizing interruptions due to fires.
6. It has improved outside protection.
7. It has placed the trade where it may demand greater protection from other industries and trades.
8. It has improved the risks of customers.
9. It has educated the members on:
 - (a) Insurance problems;
 - (b) Fire risks;
 - (c) Fire protection and prevention in building construction;
 - (d) Building construction;
10. It has helped educate fire underwriters on the true conditions prevailing in the drug trade.

The modern wholesale drug establishment is characterized by a structure covering a somewhat wide area built with fire resistance materials, equipped with automatic sprinklers, automatic alarm systems, safety pumps to take care of oils, refrigerators for biological products, safety vaults for dangerous articles such as explosives and inflammables, fireproof doors and stairways. These plants are so laid out that waste is not permitted to accumulate and must be cleared daily. Inspection services are maintained and watchmen regularly employed to report defects in equipment or violation of house rules.

Nationalize Your Credits

Credit Insurance

EVERY sale of merchandise on credit involves a definite credit risk. Only an experienced credit man can gauge the extent of that risk in a particular transaction. Credit insurance backs up his judgment and makes his decision final.

No manufacturer or wholesaler can afford not to sell goods on credit; neither can he afford to sell goods on credit unless he employs a credit man to control the risks he necessarily assumes. Credit insurance backs the credit man.

To extend credit under the wise guidance of a credit man is to build up sales and profits while holding risks within reasonable bounds. Credit insurance protects the profits thus achieved by definitely eliminating the risk of losses in excess of the normal inherent in the business.

Without credit insurance, a credit man is always confronted by the possibility of loss entirely beyond his ability to foresee or control. With credit insurance, a credit man is relieved of that contingency and is given an additional incentive toward making a good record: he knows that every cent by which losses are held below normal accrues to the profits of the business.

The best results are assured when you back up your credit man's efforts with a National Policy of Credit Insurance, placing behind your outstanding accounts the guarantee of the World's Largest Surety Company to prevent, else pay, all bad debt losses in excess of normal.

Ask for Details of our Credit Insurance Policies

NATIONAL SURETY COMPANY

WM. B. JOYCE, CHAIRMAN

E. A. ST. JOHN, PRESIDENT

E. M. TREAT, VICE-PRESIDENT

115 BROADWAY • NEW YORK

Agencies in All Principal Cities

Service

THE ideas expressed in the foregoing article are based on Mr. Hathaway's experience of five years as credit manager at the Worden Grocer Co., Lansing, Mich., preceded by five years association with the Firestone Tire & Rubber Co., with headquarters in Akron and Grand Rapids. While in Lansing, he acted also for several years as secretary of the Lansing Association of Credit Men.

When Washington, where the local organization of Credit Men is necessarily weak in numbers, was selected as the 1925 Convention City of the National Association of Credit Men, Mr. Hathaway became convention director and was

stationed by Executive Manager Tregoe in Washington for several months.

After the unusually successful convention, Mr. Hathaway was appointed manager of the department of service of the National Association and has centralized and expanded the main elements of service offered by the National office at 41 Park Row, New York.

Reporting on the Department Mr. Tregoe says:

"For several years the Executive Manager has felt strongly that the Association needed a department devoted entirely to the rendering of service aside from the services rendered by the established departments. Frequent requests for service

are made of the National Office that do not bear upon any of the departmental work; and it has been difficult to find the means and method of taking care of these requests.

"Members often desire information regarding commercial laws in the various States or they may become tangled up in some way with a customer or with other members. They need guidance on collection agencies. They need help on various points of an unusual character.

"It was planned, therefore, to install this year a Department of Service, with Frank G. Hathaway of Lansing as its manager. Mr. Hathaway was the Director of our Washington Convention and worked harmoniously with the Washington Association in arranging the Convention plans and seeing that the various delegates and visitors were properly cared for. He has had a wide experience as a credit manager, is devoted to the interests of the Association and is keenly alive to what the Department of Service is expected to do.

"Aside from giving service to members and to local Associations the Department will maintain records of the local and National Committees, communicate frequently with the Chairman and Vice-Chairmen of these Committees, and establish that direct touch between the National and the local Associations that we have not had the facility heretofore of establishing in this particular field."

The Air Mail Service for Credit Executives



AT their annual meeting at Atlantic City last month the Officers and Directors of the National Association of Credit Men passed the following declaration:

"In the field of commercial credit the time element plays an important and sometimes a deciding part. The Officers and Directors of the National Association of Credit Men therefore note with satisfaction the successful efforts put forth by the United States Post Office Department in building up the Air Mail Service.

"Credit executives are urged to instruct their mailing department to become familiar with the facilities already offered by the Post Office Department in order that full advantage may be taken of air mail schedules.

"An example of what is available is furnished by the fact that a letter out of New York at 9:30 P. M. is delivered in Chicago at 5:45 the next morning, and a letter out of Chicago at 7:30 P. M. is delivered in New York at 5:00 the next morning.

"It is clear that service like this will soon justify itself with the business public and especially with credit departments of commercial and banking organizations."

GROUP INSURANCE:

What Are You Doing About It?

Over 8,000 employers of the United States are carrying Group Insurance on the lives of 2,225,000 employees.

This insurance covers whole groups of employees under a single contract without medical examination, in amounts varying from \$500 to \$10,000 per employee. Includes total permanent disability without extra charge.

GROUP INSURANCE for factories, stores and business concerns of all kinds is rapidly growing in popularity. It has proved of value to those who have adopted it and others will take it up as soon as they learn of its usefulness.

Our book on "GROUP LIFE INSURANCE" will gladly be mailed you without obligation. It will repay your careful reading. Because of our liberal contracts, sixty years' experience, unquestioned security, and carefully trained personnel, the John Hancock Mutual Life Insurance Company of Boston can efficiently handle your Group Insurance.

A STRONG COMPANY
Over Sixty Years in Business
Liberal as to Contract
Safe & Secure in Every Way

John Hancock
LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS



SMOKE from every fire which swells the total of our country's appalling yearly loss, traces its message for all to read. But how many read it right?—***"Prevent preventable fires—75% are preventable!"***

Heed the warning! To plant owners it means modern Fire Prevention in the plant. It means expert advice on such Fire Prevention. It means in-

spection by only first class Fire Prevention Engineers.

This sounds expensive, but our staff of Engineers, which has earned an enviable reputation, is maintained at our expense for your service. An inspection and report on your property may lead to the elimination of dangerous unrecognized fire hazards. Even minor changes will often result in lower insurance cost.

You or your insurance representative can secure the details of this free service from our agent or direct from us.

AMERICAN EAGLE
The CONTINENTAL

FIDELITY-PHENIX
FIRST AMERICAN
INCORPORATED 1923

FIRE INSURANCE COMPANIES
Eighty Maiden Lane, New York, N.Y.

A Situation Tactfully Handled

Gets New Order and Payments in Full

A Group of Real Letters

A Note Offered

September 27, 19—.

The Creditor Company,
Supply City,
California.

Gentlemen:

We have your letter of September 23rd calling our attention to your charge of July 26th amounting to \$168.79. We had hoped to take care of this invoice before this time. However, our collections have been somewhat slower than usual, and it has been necessary for us to take an additional extension of time. We are wondering if it will be convenient for you to take our interest-bearing note for at least a portion of this charge. We shall consider it indeed a favor if you can arrange to do so.

Yours very truly,
THE DEBTOR COMPANY
(signed)

Two Checks Requested

September 30, 19—.

The Debtor Company,
Business Center,
Colorado.

Gentlemen:

This refers to your letter of September 27th regarding the balance due us of \$168.79.

As this account is already a little over thirty days past due, we would not like to take a note for more than thirty days. This, however, would make the note payable on the 30th of October.

As it is not a practice with us to take notes, may we suggest that you send us a check for \$68.79 sometime within a week, and favor us with a check for the balance about October 30th. This arrangement is practically the same as taking your note, as it gives you an additional month in which to pay the account.

We are doing this because we desire to co-operate with you, and we are relying on your sense of fair play to make arrangements to take care of your account as outlined above.

Yours very truly,
THE CREDITOR COMPANY
(signed)

Extension Appreciated

October 14, 19—.

The Creditor Company,
Supply City,
California.

Gentlemen:

Your letter of September 30th has been given the writer for his attention upon returning to the office. I certainly appreciate the extension of time you have of-

THE following exchange of letters is taken from "Effective Collection Letters," by J. H. Tregoe and John Whyte, and shows how one concern handles a new order from a debtor who has not paid his bill at maturity. The creditor company brings about payment by carefully worded letters and the order is shipped in time to accommodate the customer.

ferred us in payment of the account, and you can be assured that we will take care of the account as soon as possible. However, we will be unable to forward a remittance just at this time, but expect to be able to the early part of next week. We trust this will be satisfactory to you.

Yours very truly,
THE DEBTOR COMPANY
(signed)

A Reminder

October 22, 19—.

The Debtor Company,
Business Center,
Colorado.

Gentlemen:

This refers to your letter of October 14th, and is to remind you that we have not yet received your check in settlement of our account.

We are pleased to note that you appreciate our co-operating with you, and trust you will now balance your account.

Yours very truly,
THE CREDITOR COMPANY
(signed)

A Further Order

November 20, 19—.

The Debtor Company,
Business Center,
Colorado.

Gentlemen:

Thank you for the order recently placed at our factory.

As much as we should like to release this order on open account, we feel that you ought to pay the July balance of \$168.79 before we approve additional orders on open account. We have written you a number of letters regarding this balance, and we ask you again to favor us with a check promptly, so that you will not be inconvenienced in any way

by not having additional shipments released.

Yours very truly,
THE CREDITOR COMPANY
(signed)

C. O. D. Shipment

December 2, 19—.

The Creditor Company,
Supply City,
California.

Gentlemen:

Supplementing our letter of November 20th we would appreciate having you ship to us the packing boxes C. O. D. Will you please take the matter up with a view to having the shipment go forward at your earliest convenience.

In connection with the balance due on account, we will now be able to take care of this within a very short time. Please see that we have the necessary information in connection with the return for credit of the 500 crates that we have in stock at the present time.

Yours very truly,
THE DEBTOR COMPANY
(signed)

Paid in Part

January 17, 19—.

The Debtor Company,
Business Center,
Colorado.

Gentlemen:

Thank you for the check you sent us the other day.

The remittance was received after our letter of the 14th was mailed to you. We are glad that you realized the necessity of favoring us with a check. This relieved the situation somewhat, but as the balance still due dates back to August, we must again request that you favor us with an additional remittance for the remaining \$70.00 on or before the 27th of the month.

We shall expect a check within the next ten days.

Yours very truly,
THE CREDITOR COMPANY
(signed)

The Happy Ending

February 2, 19—.

The Creditor Company,
Supply City,
California.

Gentlemen:

We are pleased to enclose herewith our check for \$70.00, which brings our account up to date.

Yours very truly,
THE DEBTOR COMPANY
(signed)



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A Close Call

True Story of a Draft

By M. L. Hayward

YOU know very well what brings me here today," Bob Madison, the assistant credit manager averred.

Henry R. Patterson, the general manager of the Patterson Retail Company, put on a bold and cheerful front.

"To book a new order?" Patterson suggested.

"I couldn't get an order for half a pound of smoked fish by our credit man-

ager with a special request from Congress," Madison declared.

"Then it must be about that \$700 account I owe you," Patterson admitted.

"\$783.47," Madison reminded him.

"Your manager getting pretty insistent?" Madison flipped a yellow telegram across the desk.

"There are his sentiments."

"Pretty pointed," Patterson admitted.

"You can judge for yourself, and the worst part is that he means all he says—and more," Madison assured him.

"Suppose I pay up, if that's the case," said the other quizzically.

"Nothing would suit me better," Madison averred, as Patterson reached for his check book.

"I've got a fair credit balance at the Sand Bank today, for a wonder,—and first come, first liquidated," Patterson announced.

"Make the check to me personally," Madison proposed. Fifteen minutes later he pushed the check through the paying teller's window over at the Sand Bank.

"Cash?" the paying teller queried, and Madison knew that he stood on safe ground—that the check was good and the teller was offering to pay in current coin.

"I'm sending money to our New York office—better give me your check payable there," Madison suggested.

"How would our draft on the Tammany Bank do?"

"Good as gold," Madison agreed, mailed the draft to head office and caught the next train to the next town where there was an equally shaky account to contend with.

While Madison was arranging matters with the paying teller of the Sand Bank, however, a collector for the Midland Wholesale Company was interviewing Patterson, and demanding payment of an overdue account for \$694.

"I just gave Bob Madison a check for nearly \$800," Patterson explained.

"Did you have the funds wherewith to pay it?" the collector demanded.

"I surely did."

"Well, hustle across to the bank, stop payment, and get me a certified check for our account, or we'll jump you into bankruptcy before sundown," the collector threatened; and Patterson hurried across the street.

"Did you pay that check?" Bob Madison's?" Patterson queried.

"We surely did—want to stop payment?"

"I surely do, but I suppose it's too late now."

"Well, I say we paid it. We gave him a draft on the Tammany Bank of New York," the teller explained.

Patterson hurried back to the store, told the collector how matters stood, and the latter evolved a bright idea.

"That's a long way from cash, and I see a way out right now," the collector averred.

"Well, your eyesight's better than mine," Patterson assured him.

"Why, it's just as easy's a drunken man rollin' off a round log," the collector urged. "Go back to the Sand Bank and give 'em a stop pay order on your check right now."

"But they've paid the check," Patterson pointed out.

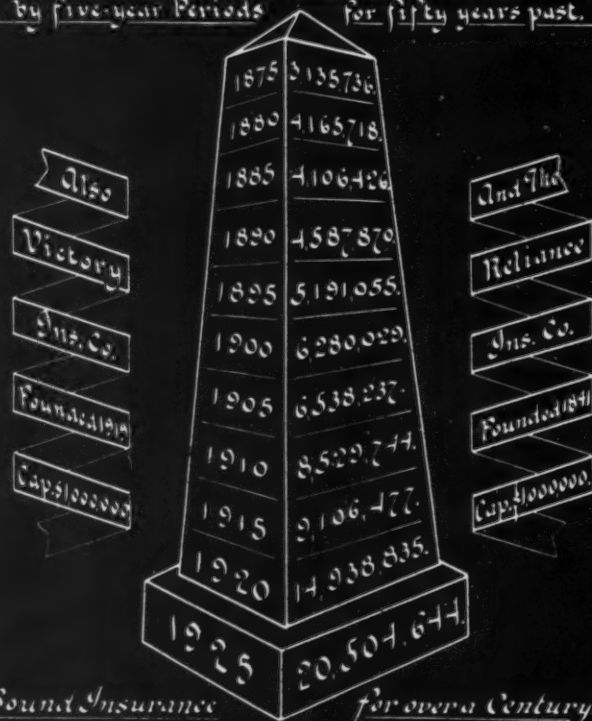
"No, not till their draft on the Tammany Bank is paid," the collector protested.

"There's something in that point," Patterson agreed, hustled back to the bank, and pushed a "stop pay" order through the paying teller's window.

"Now, my stop pay order'll legally justify you in stopping payment of the draft

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you gave in payment of the check," Patterson maintained. "When Madison got the Tammany draft he was just like a batter who gets to first safe an' then starts for second."

"And when we stop payment of the Tammany draft, he's caught out at second."

"Yes, on a throw from the home plate to first and from there to second," Patterson declared.

"I believe you're right," the teller agreed, wrote a wire to the Tammany bank stopping payment on Madison's draft, Patterson took it down to the telegraph office, and waited till the operator assured him that it had been sent.

"You've got to stand behind me, and the Sand Bank, if there's any trouble," Patterson told the collector.

"We'll stay with you till the cows come home," the collector assured him.

Then "events moved rapidly," as the story writers say. The Madison draft was presented to the Tammany Bank, the credit manager was informed that payment had been stopped by the Sand Bank, and the credit manager went after the Sand Bank.

"We stopped payment on our customer's order," the paying teller wrote, and explained the situation fully.

"Well, you had no right to stop payment under those circumstances," the manager contended.

"It is my considered opinion that we had," the teller retorted.

"That means a lawsuit."

"We're ready for you," the bank countered, but the Minnesota Supreme Court decided that the bank was not justified in stopping payment of its draft under these circumstances.

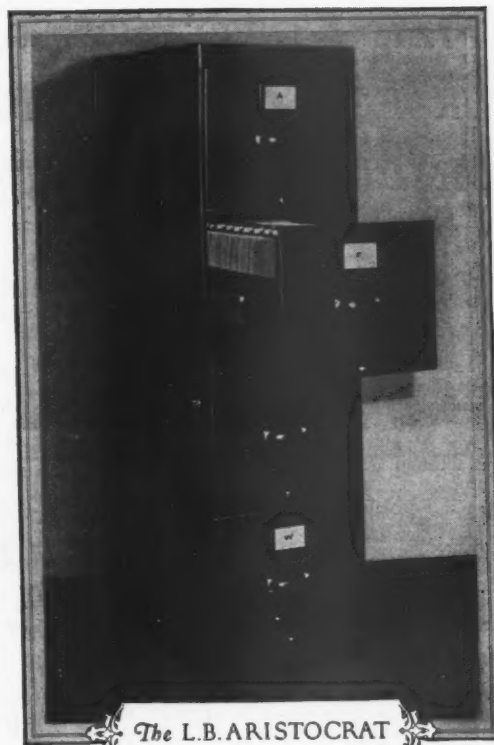
"The check had served its purpose, and could thereafter be used only as evidence of a past transaction. Had the bank become insolvent before the draft was paid, or had the payee for any other reason failed to get the money therein called for, he could have had no recourse against the customer on the check, nor could he have sued him for the debt or claim the check was given to settle or pay," said the Court.

The curious or doubtful reader will find the case reported in full on page 612 the 175th Volume of the Northeastern Reporter, which may be located in practically any lawyer's office in the United States.

A Service to Exporters

JAMES F. ABBOTT, formerly U. S. Commercial Attache in Tokyo, and later representative of three large American manufacturing companies in Japan, has become identified with the Pacific Coast Division of the Foreign Credit Interchange Bureau of the National Association of Credit Men in the capacity of Service Manager.

Mr. Abbott, owing to ill health, was required to leave the Far East, but has now recovered and is taking up his permanent residence in San Francisco. He had had a very wide experience in Japan and other countries of the Far East, and the benefit of this experience will be made available to the exporters of the Pacific Coast through the medium of the Foreign Credit Interchange Bureau with which he is now connected.



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Progress for the man or woman in business is marked by milestones in the form of increased responsibilities and better compensation. These evidences of advancement are won partly on the basis of experience, but they depend essentially on a far more important factor,—systematic education in the established principles which underlie sound business practice.

The purpose of the National Institute of Credit is to provide, at the lowest possible cost to the student, educational training which will make advancement in business not a possibility but a certainty. In the credit field, the Institute aims specifically to qualify its students, whether beginners, credit men, credit managers or credit executives, to move up to the position which is immediately ahead of them and which represents the next logical step in their advancement.

The Institute is a Department of the National Association of Credit Men. Its educational work is carried on through two main channels—class-room courses offered under the auspices of local credit associations in a number of cities, and correspondence courses conducted from the National Office at 41 Park Row, New York City.

Prospective students who are within traveling distance of one of the classroom courses should, if possible, carry on their study in this way. By so doing they will get the advantage of personal contact with the instructor and opportunity for exchange of opinion and experience with other students.

Those who are not able to attend classroom courses should arrange to take the correspondence work.

Correspondence Courses now offered by the National Institute of Credit are two: Credits and Collections, and Basic Economics. The material in each course consists of a text book, printed lecture assignments, and problems to be solved and sent to the Director of the Institute for correction and grading, after which they are returned to the student with grade and comments.

The text in the Credits and Collections course is "Credits and Collections," by David E. Golieb and Richard P. Ettinger, published by Prentice-Hall, Inc. In connection with this course there are five problems.

In the Basic Economics course the text is Henry Clay's "Economics for the General Reader" (the American edition, edited by Professor Eugene E. Agger, of Columbia University).

Correspondence courses in Business English and Accounting are being planned and will be announced as soon as they are ready.

Meanwhile a number of students are continuing their work toward the Institute's certificates by taking correspondence courses offered by educational institutions such as Columbia University and the University of Wisconsin.

DR. FRANK A. FALL,
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"Credits and Collections" ()

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Term.....

Certificates The National Institute of Credit gives two Certificates, the Junior and the Senior Certificate. The Junior Certificate is awarded to students who have completed the following 300 hours of work:

Credits and Collections	60 hours
Economics	60 hours
Business English	60 hours
Accounting	60 hours
Law of Contracts, or Corporation Finance and Investment Credit	60 hours
Total	300 hours

The Senior Certificate is awarded to students who have completed the work prescribed for the Junior Certificate and 300 additional hours (a total, therefore, of 600 hours) in the following subjects:

Law of Contracts, or Corporation Finance and Investment Credit	60 hours
Principles of Business	30 hours
Merchandising	30 hours
Money and Banking	30 hours
Business Barometrics	30 hours
Business Law of Bankruptcy	30 hours
Negotiable Instruments	30 hours
Foreign Trade and Foreign Credit	30 hours
Credit Research	30 hours
Total	300 hours

Associates and Fellows in Credit. Students who have been awarded the Junior Certificate and who have had three years of practical credit experience become Associates of the National Institute of Credit. Students who have been awarded the Senior Certificate and who have had five years of practical credit experience become (provided they are at least 25 years of age) Fellows of the National Institute of Credit.

Organization. The educational work of the Institute is under the direction of the Director of Education, aided by a Supervisory Committee, composed of a board of three business educators and three experienced credit men. The Committee on Credit Education of the National Association co-operates in establishing and maintaining local chapters.

Today is not too soon to get started on an Institute course. Fill out the coupon at the lower left-hand corner of this page and send it at once. By return mail you will receive a general prospectus of the Institute, special bulletins describing the correspondence courses, and registration blanks. The courses are \$15 each or \$25 if taken together. This is at cost. The aim of the Institute is not to make profits but to help to produce better credit men.

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The National Institute of Credit

William Walker Orr

New Secretary for New York



WILLIAM WALKER ORR, manager of the Eastern Division of the National Association of Credit Men, has been appointed secretary of the New York Credit Men's Association, succeeding Arthur H. Alexander, recently retired after 19 years of continuous service.

The resignation of Mr. Alexander, which had been presented and refused at the July meeting of the executive committee, was accepted at the August meeting, as Mr. Alexander refused to reconsider his action despite a number of conferences with a special committee appointed at the request of the executive committee, W. H. Pouch, president of the New York Association and a vice president of the national organization.

Mr. Orr will assume his new duties November 1. Mr. Alexander's resignation becomes effective Sept. 15, but Marvin W. Clarke, manager of the New York Association's adjustment Bureau, will carry on meanwhile as acting secretary.

The New Secretary is widely known as a business man, credit authority and editor. Mr. Orr has been Eastern division manager for the National Association of Credit Men since January 1, before which for 17 years he was assistant secretary of the Association, editor of the *CREDIT MONTHLY*, and in charge of the other publications of the association. He has written much and spoken widely on credit topics, and for years has been an instructor in credit work at the College of the City of New York.

Before joining the staff of the National Association of Credit Men, Mr. Orr was graduated from Harvard in 1896 and became identified with the New York office of Minot Hooper & Co. Later he became secretary and director of H. W. Johns Mfg. Co. He was also president of the Colonial Press and secretary and treasurer of the Scarsdale Co.

Commenting on Mr. Orr's appointment, Executive Manager J. H. Tregoe of the National Association said: "It will be hard indeed for the National office to adjust itself to the absence of Mr. Orr, who had already served in the national office for five years before I took charge in 1912.

"His sound knowledge of credits and his ability to express his ideas clearly and forcibly, both in writing and in speech, his unfailing loyalty to the high ideals of the National Association, and his untiring work—are guarantees that his leadership of the New York Credit Men's Association will meet with complete success.

"The local credit associations which have made the most marked progress and which best serve their members are those thoroughly imbued with the spirit of the National Association. It is therefore a good omen for the continued progress of the largest of all the local associations that a man of the experience and character of Mr. Orr should have been secured as its leading spirit.

"It will be a peculiar pleasure on the part of the National office staff to co-operate in every possible way with their friend and former associate."

Mr. Alexander was for two years associated with the National office before he accepted the secretaryship of the New York Association 19 years ago. His reason for retiring was his desire to end the incessant night work demanded by various standing committee meetings. Few if any, credit men in the United States have worked as long and zealously in the credit field and have accumulated a wider circle of friends in that field throughout the country.

The Bankruptcy Law How It Should be Amended

By *W. R. Montgomery*
Counsel, Natl. Assn. of Credit Men

A BILL to amend the Federal Bankruptcy Act, prepared by representatives of the National Association of Credit Men, in close co-operation with the Special Committee on Practice in Bankruptcy Matters of the American Bar Association, and the Committee on Bankruptcy of the Commercial Law League of America, received official approval and endorsement at the Convention of the American Bar Association held in Detroit, Sept. 2-4, 1925.

The necessity of co-operation between these three organizations has been evident if any bankruptcy amendatory bill is to succeed in Congress. A divergence of counsel has defeated the efforts of the National Association of Credit Men in recent years, and a determined effort has therefore been made in the past few months to secure harmony, and unanimous support of a bill to correct the more obvious faults of the Bankruptcy Act.

The Special Committee on Practice in Bankruptcy Matters of the American Bar Association, with Simon Fleischmann of Buffalo as chairman, was quick to accept the co-operation offered by the National Association of Credit Men and the Commercial Law League, and its report, submitted to the Bar Association Convention, proposes a complete revision of the Bankruptcy Law along lines suggested by the other two organizations. A number of important features of the bill were contributed by Mr. Fleischmann's Committee and have in the main met with the approval of the Bankruptcy Law Committee of the National Association of Credit Men.

A further conference is to be held between the various committees in the near future, for the purpose of whipping the proposed bill into final shape and arranging for its introduction in the House of Representatives.

Heretofore the subject of bankruptcy has been considered by two Committees of the American Bar Association, namely, the Committee on Commerce, Trade and



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MIDDLE ROW—Chas. H. Hamilton, Frank D. Rock, E. P. Tuttle, William H. Pouch, W. F. H. Koelsch, Richard T. Baden, John E. Norvell, George J. Gruen, J. H. Tregoe, W. W. Orr, E. B. Moran.

BOTTOM ROW—J. F. Wood, Rodman Gilder, E. D. Ross, F. B. Ramey, W. C. Hanson, S. C. Greusel, Frank W. Hill, E. J. McManus, W. E. Tarlton, Marshall D. Beuick.

BUSINESS prospects for the next six months were reported to be better according to a summary of reports gathered at the annual meeting of the officers and directors of the National Association of Credit Men last month at Atlantic City.

The survey covers 26 regions and the principal lines of business. Collections for August as compared with July had not improved appreciably; collections for August were reported vastly improved over a year ago. Sales showed that same characteristics as collections in the same periods.

About 70 per cent of the directors of the association foresaw no obstacles to a continuance of prosperity in their lines of business.

Those who attended and are *not* shown in the above photograph are past presidents Curtis R. Burnett and W. F. H. Koelsch; Directors C. S. Cook, Wm. Fraser and C. D. Maclaren; and E. Paul Phillips, C. D. West, Dr. Frank A. Fall, W. S. Swingle, John W. H. Ross, W. R. Montgomery, Ford Moran and Marshall D. Beuick, of the National office.

Commercial Law and the Special Committee on Practice in Bankruptcy Matters. The Committee on Commerce, Trade and Commercial Law last year, and again this year, reported endorsement of a proposal for official receivers in bankruptcy along lines proposed by the Merchants Association of New York City. They did not, however, present this year an amendatory bill, and no action was taken by

the Bar Association Convention upon their recommendation expressing approval of the official receiver program. Instead, the subject of bankruptcy was definitely taken away from the Committee on Commerce, Trade and Commercial Law, with the result that the official receiver program has been deprived of any support from the American Bar Association. This in itself is gratifying to the National As-

sociation of Credit Men, which has consistently advised against the Merchants Association program for official receivers.

A brief analysis of the various amendments to the Bankruptcy Act set forth in the proposed bill, and of the reasons for their necessity or desirability will be applied by the Department of Service, National Association of Credit Men, 41 Park Row, New York.

STOCK FIRE INSURANCE is conducted on the "live and let live" principle. An adherence to this principle has made the United States what it is—industrially and commercially. It naturally follows that a departure from it must weaken the fabric upon which our national prosperity is based.

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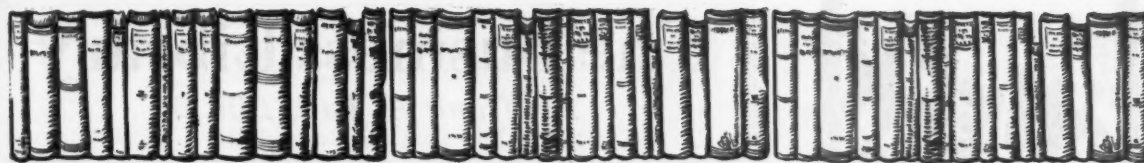
SURPLUS TO POLICYHOLDERS, \$18,098,907.35

Connecticut Fire Insurance Company
of Hartford, Conn.

SURPLUS TO POLICYHOLDERS, \$5,600,383.52

EQUITABLE Fire & Marine Insurance Company
PROVIDENCE, R.I.

SURPLUS TO POLICYHOLDERS, \$3,009,962.28



Fifty Books for Credit Executives

Suggested by Dr. Frank A. Fall

Director of Education and Research, National Association of Credit Men

THIS list has been compiled in response to numerous requests from credit executives. The Director will welcome suggestions looking toward its improvement. These may take the form of criticism of books included in the list or of recommendations of books not so included but which have proved particularly useful in credit work. Comments and suggestions may be addressed to Dr. Frank A. Fall, National Association of Credit Men, 41 Park Row, New York City.—THE EDITOR.

Credits and Collections <i>Ettinger and Golieb</i>	Prentice-Hall	\$4.00	Commercial Paper <i>W. H. Kniffin</i>	Bankers	\$2.50	Accountants' Handbook <i>E. A. Saliers</i>	Ronald	\$7.50
Credits and Collections in Theory and Practice <i>Theodore N. Beckman</i>	McGraw-Hill	4.00	The Discount Policy of the Federal Reserve System <i>B. H. Beckhart</i>	Holt	6.00	Managements' Handbook <i>L. P. Alford</i>	Ronald	7.50
Credit Management <i>Olson and Hallman</i>	Ronald	4.50	The Purchasing Power of Money <i>Irving Fisher</i>	Macmillan	3.00	Statistical Methods <i>F. C. Mills</i>	Holt	3.60
Analytical Credits <i>Alexander Woll</i>	Bobbs-Merrill	3.00	The Business Man and His Bank <i>W. H. Kniffin</i>	McGraw-Hill	3.00	Statistics as Applied in Business <i>B. F. Young</i>	Ronald	5.00
American Commercial Credits <i>Wilbert Ward</i>	Ronald	2.50	Money <i>Foster and Catchings</i>	Houghton Mifflin	3.50	Psychology in Business Relations <i>A. J. Snow</i>	Shaw	4.50
The Mechanism of Commercial Credit <i>W. H. Steiner</i>	Appleton	3.00	The Financial Organization of Society <i>H. G. Moulton</i>	University of Chicago	4.00	Railroads: Rates, Service, Management <i>Vanderbitue and Burgess</i>	Macmillan	4.50
Mercantile Credits <i>F. H. McAdow</i>	Ronald	2.00	Economics for the General Reader <i>Henry Clay</i>	Macmillan	2.50	Insurance—Principles and Practices <i>Riegel and Loman</i>	Prentice-Hall	6.00
Banking and Credit <i>Dewey and Shugrue</i>	Ronald	3.00	History of Commerce of the United States <i>Clive Day</i>	Longmans	1.80	Risk and Riskbearing <i>C. O. Hardy</i>	University of Chicago	4.50
Bank Credit <i>Glenn G. Munn</i>	McGraw-Hill	3.00	Principles of Business <i>C. W. Gerstenberg</i>	Prentice-Hall	5.00	Handbook of Business Correspondence <i>S. R. Hall</i>	McGraw-Hill	5.00
Bank Credit and Agriculture <i>Ivan Wright</i>	McGraw-Hill	3.00	Applied Business Finance <i>E. E. Lincoln</i>	Shaw	4.00	Business Forecasting <i>D. F. Jordan</i>	Prentice-Hall	5.00
Legal Aspects of Credit <i>S. F. Brewster</i>	Ronald	5.00	Financial Organization and Management <i>C. W. Gerstenberg</i>	Prentice-Hall	5.00	Advertising Handbook <i>S. R. Hall</i>	McGraw-Hill	5.00
Installment Sales and Collections <i>B. W. Griffin</i>	Prentice-Hall	4.00	Controlling the Finances of a Business <i>McKinsey and Meech</i>	Ronald	5.00	Principles of Merchandising <i>M. T. Copeland</i>	Shaw	4.00
The Retail Charge Account <i>F. W. Walter</i>	Ronald	3.00	Financial and Operating Ratios in Management <i>J. H. Bliss</i>	Ronald	6.00	Constructive Merchandising <i>R. E. Ramsay</i>	Appleton	6.00
The Insurance of Foreign Credits <i>H. J. Loman</i>	Prentice-Hall	2.00	Management Through Accounts <i>J. H. Bliss</i>	Ronald	6.00	Retail Handbook <i>W. S. Hayward</i>	McGraw-Hill	5.00
Effective Collection Letters <i>Tregoe and Whyte</i>	Prentice-Hall	4.00	Auditing <i>W. H. Bell</i>	Prentice-Hall	5.00	Marketing Methods and Policies <i>P. D. Converse</i>	Prentice-Hall	4.00
Collection Correspondence and Agency Practice <i>Beckman and Held</i>	McGraw-Hill	2.50	Accounting, Theory and Practice, 3v. <i>R. B. Kester</i>	Ronald	12.50	Principles of Foreign Trade <i>C. E. Griffin</i>	Macmillan	3.00
New Collection Methods <i>E. H. Gardner</i>	Ronald	4.00				Textbook of Salesmanship <i>F. A. Russell</i>	McGraw-Hill	3.00

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OCCUPANCY
and PROFITS
on his
BUSINESS
PLANT**

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Ralph B. Jres
President

The Business Library

By Frank A. Fall, Litt. D.

Director of Education and Research, N. A. C. M.

World Economics

INTERNATIONAL ECONOMIC POLICIES.
William Smith Culbertson. D. Appleton
& Co., N. Y. 1925. 575 pp. \$3.50

This survey of the economics of diplomacy is from the experienced pen of a publicist who has had exceptional opportunities for gathering material at first hand in many countries of the world. Before he was appointed to membership in the United States Tariff Commission by President Wilson in 1917 and subsequently re-appointed by President Harding for a twelve-year term, Dr. Culbertson represented the Federal Trade Commission, studying trade conditions and the tariffs in Brazil, Uruguay, Argentina, Chile, Peru and Panama. He is now Vice-chairman of the Commission. His home is in Emporia, Kansas, and it is interesting to note that the present volume is inscribed to Mr. and Mrs. William Allen White.

This is a timely book. Pre-war diplomacy was not seriously concerned with the problems of international finance. But today the diplomat succeeds or fails largely on the basis of his grasp or his lack of understanding of world tendencies in the field of applied economics. It is therefore fortunate that one who is so admirably equipped has set himself to the task of presenting an authoritative discussion of the economic factors which determine the policies of the nations and vitally affect the relations between them.

In competition for markets, for raw materials, for loans and concessions, Commissioner Culbertson discovers the major causes of international controversies, misunderstandings and wars. Rival economic policies thus being the chief source of discord between nations, the possibility of permanent peace would appear to depend upon the discovery of means of controlling these policies, and turning them into channels of international co-operation. This is Dr. Culbertson's thesis.

After an introductory chapter outlining the historical background of modern economic rivalries, the author proceeds to discuss the factors which affect direct commercial relations and negotiations between states. These include tariff bargaining, commercial treaties and the significant case of protection and preference within the British Empire. They also embrace the policies generally designated as "national" and "most-favored-nation" treatment.

Then come five chapters which concern national rivalry for privilege and control in those parts of the world which are comparatively less advanced, economically. In these chapters colonial policies are analyzed and the policy of preference, exclusion and monopoly is contrasted with the principle of the "open door" or commercial equality. The concluding chapters treat of national and international problems arising from foreign trade and ocean transportation.

Underlying Commissioner Culbertson's whole discussion are these three propositions:

1. That the conceptions of political and social control prevailing in Western states today are of the eighteenth century, if, indeed, they do not date back to Aristotle.

2. That the material progress of Western civilization has been effected at an unprecedented rate and is still rushing forward to new conquests. Living in a new material world, we lack a science of government capable of controlling its destructive tendencies or of turning its achievements to social ends.

3. World society rests on the nation, and the preservation of the nation depends upon the establishment of principles and methods of international co-operation that will effectively solve the vast problems impossible of solution by nations acting singly or bargaining two by two.

For those who read this book and acquire thereby a taste for additional enlightenment on world problems, the reviewer recommends Commissioner Culbertson's "Commercial Policy in War Time and After," from the press of the same publisher. This has an introduction by Henry C. Emery, formerly Chairman of the United States Tariff Board.

A Sane View of Labor

LABOR ECONOMICS. Solomon Blum.
Henry Holt & Co., N. Y. 1925. 579 pp.
\$4.

This is a new volume in the Holt American Business Series, under the general editorship of Professor Roswell C. McCrea, Professor of Economics in Columbia University. The author is Professor of Economics in the University of California.

Dr. Blum's position in regard to the labor movement is certainly not conventional. There is, he says, no "labor problem," and by the same token no "solution to the labor problem." What he does see is the need of analysis and appraisal of the processes of standardization and valuation set up by the labor movement, processes which are not simple or uniform, not worked out or finished, and not to be settled by any yea or nay vote.

The author finds two forces at work in our economic life. In principle they are antagonistic. The first is private enterprise, which appears to Professor Blum to be, in some of its aspects, "terribly wasteful, disorderly and reckless." The second and conflicting force is the purposeful activity of society in modifying or annihilating private enterprise.

The valuations of private enterprise, as Dr. Blum sees them, are simply the prices of the market. Private enterprise is mechanistic. Individual and social responsibility can develop only when it is modified. For all this, and possibly because of this, it is productive and it generates energy. Profits are the source of this energy. But individualistic competition, says Professor Blum, has never had the field entirely to itself. It has always been too harsh to bear. Therefore society has always protected itself in some measure from the blind forces of the market.

The second force, opposed to private enterprise, manifests itself both conservatively and radically. On occasion, the author suggests, it may ostensibly be a protection to competition, as in our anti-trust laws and the elaborate definitions of fair and unfair trade that have come from them through judicial decisions; tentatively and cautiously in most of our labor legislation and in our trade union

movement, and radically in the socialist and communist movements.

In these conflicting tendencies Professor Blum sees one common element—they standardize. They represent a group purpose which is not mechanistic. Their acts are processes, not of simple pricing but of social valuation. In Dr. Blum's picturesque words, "These tendencies are sophisticated." And because the labor movement in its many manifestations seems to the author to represent the most dominating expression of the principle of standardization, he believes that a particularly important field of investigation is opened by labor economics.

This book presents, without prejudice, the essential facts concerning the inception, development and present status of labor legislation; the growth, tactics and theories of the labor unions; and the wider aspects of the labor movement as visualized by this alert and discriminating investigator. While Dr. Blum sympathizes in the main with the demands of labor, he sharply criticizes some of the tactics and theories of the labor leaders. He employs the latest available statistics; his grasp of his material is firm, and his style clear and readable.

Commodities Around the World

HANDBOOK OF COMMERCIAL GEOGRAPHY. George J. Chisholm. Longmans, Green & Co., London, 1925. 825 pp. \$7.50

Here is pay ore for all importers and exporters who want definite and dependable facts and figures concerning the various commodities they handle. It is really an encyclopaedia, whose success is attested by the fact that this is the tenth edition, the first having appeared as far back as 1889. In his new edition there are many revisions and corrections, and the section on Central America has been rewritten and considerably expanded.

The introductory section of 22 pages sets the stage for a presentation of important general facts concerning the production, distribution and exchange of commodities. Here are treated such topics as climate, tropical productivity, underground temperature and water circulation, soil and its treatment, irrigation, labor and machinery. Topics connected with the exchange of commodities include land and air transport, ocean trade routes, posts and telegraphs, language and instruments of exchange.

The next general division is headed "Commodities," sub-divided into products dependent directly or indirectly on climate; fisheries; mineral products; and manufactured articles. This section is followed by the largest one of all,—that on "Regional Geography." General divisions in this section are Europe, Asia, Africa, America, Australia and Polynesia.

The Appendix of 70 pages presents import and export statistics of various countries, index numbers for the United Kingdom, shipping tables, and many miscellaneous statistical tables bearing on world trade.

Although, on account of obvious difficulties, the author presents no complete statistical tables subsequent to 1913, columns have been added to the tables for the United Kingdom and the United States showing the differences in the trade in individual commodities in 1919 as compared with 1912, in both quantity and value. These, Mr. Chisholm suggests, will serve to illustrate the chaos which has been introduced into values by the war.

The same purpose is served by a table in the Appendix, (p. 712), giving the value for the same unit of a number of commodities in the two years mentioned.

The text, in which there is no division into chapters but the paragraphs are numbered serially, is illustrated by 34 maps. To the ordinary reader, and particularly to certain exporters, the map of Africa, which shows the gauges of the different railroads, will prove the most interesting of the collection.

There are also 8 diagrams, illustrating typical rainfall in various districts; cotton consumption in Europe and the United States; coal production, consumption and prices in the United Kingdom, the United States and Germany; production and import of iron ore in the same countries; comparison of meteorological data for Europe, Canada and Siberia; and meteorological data of stations in New Zealand compared with data for stations in Great

Britain and others in corresponding latitudes in the Northern Hemisphere.

This is a bulky book, but the exporter or importer who wants accurate and reliable information in the realm of commercial geography will be quick to find space for it.

Reaching the Ultimate Consumer

RETAIL MERCHANDISING PLANNING AND CONTROL. James L. Fri. Prentice-Hall, Inc. N. Y. 1925. 371 pp. \$4.

The Assistant Professor of Merchandising in the New York University School of Retailing contributes this volume to the Prentice-Hall Merchants' Retailing Series, edited by Dr. Norris A. Brisco.

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vertising, merchandising and selling by retailers are presented in non-technical language, the practices being first described and then used as the basis of a development of the principles of sound merchandising. The author discusses the details of organization, expenses, profits, stock turns and policies. He makes suggestions concerning the moving of slow-selling stock and describes plans for merchandise control that have been tested by retailers and found adequate.

It is generally realized that the high cost of merchandising is one of the most puzzling problems facing our own and other countries today. The Chamber of Commerce of the United States gave signal recognition to this fact when it organized, at Washington in January, the National Distribution Conference. This Conference is now hard at work through

six committees, each divided into several sub-committees, whose avowed purpose is to discover whether distribution costs are higher than they should be, and, if so, how they can be brought down to a reasonable level.

Mr. Fri's book is an important contribution to the study of this complex problem. It comes at a time when retailers from coast to coast are trying desperately to work out plans for more scientific control of merchandising operations, for stabilizing stocks and increasing turnover. The author very properly gives strong emphasis to the importance of the merchandise manager's job, and definitely outlines the responsibilities which this executive should be required to carry.

The opening chapter gives a general picture of the field of retailing, describing the unit store, the chain store, the

department store, the mail-order house and co-operative ventures. Mr. Fri then discusses organization for retail business, covering personnel, finance, publicity and the various classifications of merchandise.

Subsequent chapters deal with expenses and profits, classification and distribution of expenses, the retail method of inventory, stock turn, slow-selling stock, the merchandise budget and control through department supervision.

One of the most helpful chapters is the last one, on "Current Merchandising Statistics." This suggests a number of sources which retailers may consult, including the reports of the Controller's Congress of the National Retail Dry Goods Association, the various publications of the Federal Reserve Board, the statistics of associated stores and the services supplied by the research bureaus.

Statement Analysis

HOW TO READ A FINANCIAL STATEMENT. Herbert G. Stockwell. Ronald Press Co., N. Y. 1925. 443 pp. \$4.50.

Thoroughness of treatment and an up-to-the-minute point of view are two advantages which this volume has over many that have been written on the analysis of financial statements.

Other writers on this subject have treated it lightly,—some almost flippantly. Nor have their publishers been far-seeing enough to insist that the authors expand their treatment into something more in keeping with the importance of the theme.

Mr. Stockwell's careful treatment of the subject doubtless springs from the fact that his approach to it is through two pairs of eyes,—those of the accountant and those of the attorney. He is a Certified Public Accountant in Pennsylvania and New York, and a member of the Philadelphia Bar.

His modern point of view is evidenced in many ways, but particularly in his treatment of factors that have recently been given new or added emphasis, such as no-par value stock, the handling of reserve funds and reserve accounts and the varied novel considerations that have developed as fruits of recent tax legislation.

On the title-page and in the advertising, "How to Read a Financial Statement" is followed by the words, "Adapted Especially to Needs of Credit Men, Bankers and Investors." A careful examination of the contents of the book leads the reviewer to assert that the use of this phrase is fully justified. As a matter of fact, accountants and business executives might fairly have been added to the list.

Although not so divided in the Table of Contents, the book consists essentially of two parts. The first 13 chapters are devoted to analysis of statements of the typical average-sized concern. The balance sheet of such a concern is discussed and analyzed in detail. The second part (Chapters XIV to XXX, inclusive) deals with the more unusual features found particularly in statements of the larger corporations.

Author and publisher have collaborated in this volume to show the business man, in not too technical a manner, exactly how to ascertain the condition of a business from its financial statement in whatever form presented, or at least to judge whether or not the statement is a straightforward presentation of the facts.

The words "in whatever form presented" are used advisedly. In spite of valiant efforts toward standardization of statement forms by the National and State governments and by banks everywhere, an overwhelming majority of the financial statements issued by business concerns and



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examined by credit men, bankers, investors and others, follow no particular model.

Mr. Stockwell therefore very wisely refrains from dealing with any supposedly ideal form of balance sheet, but illustrates his argument by means of balance sheets in the varying forms in which they are actually issued by different manufacturing concerns. The result is a well-balanced, readable, usable book.

Three More C's

CONFERENCES, COMMITTEES, CONVENTIONS, AND HOW TO RUN THEM. Edward Eyre Hunt. Harper & Bro., N. Y. 1925. 218 pp. \$2.50

Unless a man is a hermit, in which case his chances for success in business are necessarily remote, he is likely to come into contact with conferences, committees and conventions,—any or all of them,—in the course of any business year.

There appears, therefore, to be a large audience waiting for such a book as this one by Edward Eyre Hunt. Also, there will be a remarkable sale for it if each of the author's collaborators purchases a copy, for he acknowledges his indebtedness to the United States Government, the Chamber of Commerce of the United States, the American Federation of Labor, the Federal Council of the Churches of Christ in America, the National League of Women Voters, the General Federation of Women's Clubs, the American Red Cross, the Pan American Union, and so on, and on. The only absentees appear to be the Boy Scouts and the Ku Klux Klan.

Seriously, this will prove to be an exceptionally useful book for credit association secretaries and all others who are charged with responsibility for organizing and carrying on meetings of any kind, from a small conference to a national convention with thousands in attendance.

Mr. Hunt discusses such topics as what conferences, committee operations and conventions should cost, and what they should accomplish; when meetings should be called; who should call the members together; how far ahead plans should be made; what speakers and what subjects should be selected; how early the members should receive notice; how committees should be named; what the duties of chairmen and secretaries are; what

hints should be given to speakers; and how profits from meetings can be estimated.

The conference method, the author suggests, must be nearly as old as the human race. At whatever stage fighting first gave place to discussion, this method was born. Democracy, with its emphasis on group negotiations and group decisions, naturally has accelerated the tendency to make periodic adjustments of human relations as a result of investigation and discussion.

Mr. Hunt shows how the world war, which destroyed or retarded so many things, pushed forward and gave new life to the conference method. Interallied high commands, commissions and committees were almost universal while the war was on; and since the Armistice we have seen a bewildering succession of local, national and international gatherings called to deal with the problems of reconstruction.

From now on, the author submits, fewer and better meetings must be the rule. Useful persons everywhere are now overburdened with committee, conference and convention assignments, largely because too little attention has been paid to making meetings efficient.

To all of this the average business man will say "Amen!" If there is any statement in the book that should be questioned, it is the one on page 19 which says; "Because of the heat, Washington is not available (for conventions) during the summer months." About two thousand people can easily be found who will gladly stand up and testify that the 1925 Convention of the National Association of Credit Men, held at Washington on a succession of hot days in June last, was by far the most successful convention the Association has ever held.

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The Conversion of Peter

(Continued from page 19)

rap-tap-tap, his pencil syncopating lazily on the table top. But Ben Tooley kept on, skillfully presenting his case with facts and figures, and then—

"That's the dope, Peter; and as president of our local association I've come to ask Moss & Perkins to contribute their share for our quota—a mere, paltry \$500."

Peter dropped his pencil as if shooting pains had just paralyzed his arm from the funnybone down.

"Five hundred dollars! Five hundred dollars! Good gracious, Tooley, are you mad—five hundred dollars?"

For once Peter had guessed it. Yes, Big Ben was mad, but he concealed his vexation.

"My dear sir, not a penny—not a penny. For others perhaps a worth while cause but not for Moss & Perkins. Not indeed—not indeed. The credit crook has no place with us. We limit our business to the most virtuous—the very most virtuous."

Big Ben tried a squeeze play. It failed. He made a flank attack. It was a bust. He shifted to an emotional appeal. It was a complete rout. Ben accepted his defeat with the same smile and laugh that trembled against the dingy walls when first he entered. At the door he gave this startling sally; "Peterkin, I'll live to see the conversion of Peter."

Peter shuddered.

A week passed and still Peter shuddered; for who could forget, "Peterkin, I'll live to....." The shudder, however, was only the merest shivering of newly molded jelly as compared to the convulsions brought about by the cataclysmic news that Bird of Evanston had been completely wiped out by fire. On the books of Moss & Perkins, Bird showed a debt of \$10,000.

The shell of the thing named Peter rattled. Never before had the privacy of his office been visited by the gaunt spectre of disaster; and Peter cowered and quailed before this red monster that reached for a pen to write *Loss \$10,000.00* in crimson letters. Panic seized Peter as he buried his head in the musty old book which for years had breathed and lived from the blue veins scribbled across its pages. But now the jugular vein was cut and it spouted scarlet.

In a frenzy Peter thumbed through the order book. Yes, he walked in no land of nightmares. There it was: \$10,000.00 for the richest and rarest of imported crockery shipped in the original wire-bound cases but one month before. Peter said something meant for a rasping oath, but he boggled it—then fled with the news to Perkins.

For three weeks, Peter tortured the mails until finally his partner suggested he run up to Evanston to learn for himself all the details; somehow, somewhere there must be salvage in the shipwreck of Bird.

Peter faced his adventure with temerity, so long had he held to the trail that lead from his home to the office; for years there had been neither side paths nor detours. He shook himself into his top coat, climbed on the Pullman and the next morning, to pay tribute for a safe voyage, slipped the porter a Canadian dime.

No guide needed to tell Peter that "once this was Bird's." The stark desolation of the place invoked no sympathy except for his treasure that lay buried somewhere in the debris. With trembling fingers he wiped his spectacles, then, a stranger to taxis, boarded a street car

and found his way to Bird's residence. A squat, fat man with squinty eyes, heavy mustache and enormous, black Dun-dreary whiskers answered his ring.

"Well?"

Peter squeaked, "I'm Moss of Moss & Perkins...."

"Ah, my friend, my friend, it is all, all wiped out." Bird squeezed Peter's hand and led him with funereal emotion to the sitting room where Peter listened to the ghastly details. An hour later he fled from this house of sorrows.

At the hotel Peter paced the floor of his room, giving his soul to melancholy, until wrapped in the very shroud of despondency he felt that he would suffocate. So Peter took a walk, nor stopped until again he stood before the charred heap of ruins. Here he was at least close to the decesses.

A pathetic figure, he peered through the jagged remains of a show window. Suddenly he was startled. As if to assure himself that no ghost walked among the twisted heap of I-beams and burnt bricks Peter deliberately poked his head through the door-way half obstructed with boards. In the furthest corner of the store Peter now distinctly saw a round-faced stocky man in a black suit, capped with a black derby. With bouncing steps the stocky man darted from one plaster pile to another, at each pausing to dig with a small spade, then stooping to fill his pockets with something, something that he found in the hole just pecked in the ashes.

The stranger came closer until almost within reach of the half boarded door-way he looked up. There was a mischievous twinkle in his eyes.

"Hello," he said with smiling good humor. "You interested here?"

Peter found his voice and piped back, "I'm Moss of Moss & Perkins."

"Ah! Moss & Perkins." The stranger chuckled as if this discovery was a first-class drollery. He came closer to the door-way, so close that Peter impelled to pull back his head,—but he held his ground.

"Now ain't that funny," laughed the little man. "You're just the person I'm looking for. Moss & Perkins, eh? Say, do you recognize this?" From his bulging pocket he pulled a shiny object.

Peter stared at the stranger held up to the light a small dinner plate. "Eh, are you the father of the child?"

Peter's hand shot out, "Where did you get it?" he asked breathing fast. "It's a sample of our best, Pexonne pottery, our very best, a bit of the \$10,000 we shipped Bird."

"Of course, of course, I know all about that." The man's teeth gleamed. "I got this from Mr. Perkins a week ago. Now you just go around the side—up the alley and in the back door. I'll show you something, Mr. Moss."

Peter, trembling with excitement, followed the directions and finally squeezing himself between a safe and what the fire had left of a wooden letter file, reached the stranger who stood awaiting him.

"Who are you?" Peter asked, sucking in his breath.

"A fair question," said the stranger. "I'm Smith, just call me Smith and let it go at that."

He stepped closer and whispered, "I'm an investigator for credit men. I'm here to run down this crime—this arson."

"Crime? Arson?" Peter opened his eyes wider than he had ever opened them since first he became too intimate with ledgers.

"Exactly," said the anonymous Mr. Smith, as he emptied his pockets of

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broken bits of crockery and compared them with the plate he had just shown to Peter. "No Pexonne pottery in this," he said, examining each piece carefully.

"I should presume not," sniffed Peter contemptuously, "one can tell the glaze on the foreign stuff instantly."

"Of course, of course, quite right, Mr. Moss," and without further comments, Mr. Smith reached the safe and picked up a bulky traveling bag. "I'm going to show you something." He snapped the clasp and pulled out a small sheet of asbestos which in a jiffy he spread on the side of the overturned safe and on top of this he placed a tiny acetylene torch. While he worked his voice was as active as his nimble fingers. "Now Mr. Moss," he said, "French wire comes on French boxes. That's this," and he laid a small strand of box wire on the asbestos. "American boxes are bound with American wire." He paused to lay some black, fire-tempered next to its foreign mate. "Correct?"

Peter nodded, fairly quivering.

"Now let's burn these." As he spoke the investigator held the small but terrific flame of the acetylene torch against each piece of wire. Slowly each melted and formed a glowing pool.

"There—we'll see what we'll see," Mr. Smith put out the torch and bending as close as he dared to the molten masses blew on them to hasten the cooling. Indeed, Peter so far forgot himself as to puff out his cheeks also and join in the blowing.

"There now, we have it," and the investigator bent close over the safe examining the two piles of molten metal, first of the charred wire he had picked out of the

ruins and then of the French wire he had brought with him.

"You see," he said handing his pocket microscope to Peter, as with a pocket knife he again scraped away the ashes and dirt floating on top of one of the metal pools, "there's no comparison. American wire has a bit of lead in the compound. It makes a dark muddy mass as it hardens in cooling. French wire is all steel. Look how bright and shiny it melts up."

"Positively," said Peter, bending over. "By Juniper—what does that sig--signify?"

"Signify?" Mr. Smith puffed out his cheeks and chuckled. "I'll tell you. If your shipment of Pexonne-pottery to Bird was here during the fire we'd find some of the broken pieces, wouldn't we? Most certainly, especially since Bird stated under oath that all the Pexonne pottery was stored, back here, the night of the fire. Now there isn't a piece of that French glazed ware anywhere around; only broken remains of some American stuff. These pieces prove it, don't they?"

Peter nodded.

"Not only that,—but this American wire, there's plenty of that back here. But not one single strand of the French."

"Ah," said Peter, laying an index finger against his nose. He was beginning to have a wonderful admiration for this clear thinker and for his shrewd observations.

"Now, quick,—and the investigator darted behind the safe, pulling Peter with him, "take a good look before anyone sees us." He snapped open the traveling bag and in one hand held up a fire-blackened, steel, rat trap; in the other a long peculiar metal stick with a trigger on one end. "Do you get it?" he questioned.

Peter shook his head.

"I'll tell you. It's a clever fire trap. I found it among the rubbish in the cellar. When Mr. Rat steps into the trap, the jaws spring back, that pulls a wire attached to this trigger," he pointed to the metal, stick-like contraption. It's a flash gun used by photographers. Pull the trigger and off goes the flash powder. All one need do is to put a few oil-soaked rags above the flash, some bait in the trap and let Mr. Rat do the rest. Dead rats tell no tales. That's our best evidence." And with this parting shot the amazing



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M
.....
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Mr. Smith quickly hid the trap and flash gun in his suitcase. As he turned, Peter noted the fire in his eyes and the significant emphasis in his voice.

"We'll get this man Bird and make him tell where the goods are, and if he won't—well, we'll trace 'em."

And Peter instinctively felt that Mr. Smith would be a hard man to throw off the track once he started to nose out a credit crook.

"But—but Bird," said Peter weighing each phrase carefully, "was one of our best customers—the very best of credit for three years. He wouldn't—"

"Wouldn't, eh?" And now there wasn't a vestige of good humor left. "That's just the kind some of them are. Several years of perfect behavior to catch the suck—." Mr. Smith paused with evident embarrassment.

"Suckers—yes, suckers," Peter finished the sentence for him. "And were there others?"

"Why man, your \$10,000 is just a drop. Others? Nearly every good importer got caught. About \$300,000 all told."

"By Juniper, \$300,000!—my gracious!" Peter teetered back and forth on his tiptoes. "Is there much of this sort of thing, Mr.—Mr.—?"

"Smith," answered the investigator. "Oh, lots of it! And so little caught. Why man, I'm busy every minute at messes like this but I'm only a drop of disinfectant in the crime sewer. But," he smiled broadly, his mood changing quickly again to good humor; "The association is raising a million dollar fund to help me round 'em up. Say, it's going to be the greatest high-jacker rodeo you ever heard of. Say," he paused to facetiously tap Peter on the shoulder, "we're goin' to rope 'em and throw 'em and tie 'em for branding. It's going to be a sure enough stampede."

Mr. Smith picked up his wires and bits

of crockery and chucked them into the traveling bag, packed up the torch and asbestos sheet, snapped the lock and started for the door.

With mincing steps Peter followed "What next?" he squeaked when they stood outside.

His companion turned. The shrewd face was wrinkled with smiles. "Next?" he repeated, "Well, I just guess I'm going to shave Mr. Bird before he gets wise to the guard I've got around his house."

"Shave him?" Peter looked incredulous. "You bet. Have you seen him?"

"Yes, yes—this morning, he's awfully bushy."

"Bushy!" Mr. Smith threw back his head and laughed until Peter unable to restrain himself further joined in the laughter. "Bushy, I'll say he is." Then suddenly he crowded Peter into a doorway and whispered, "Keep it dark and I'll show you something." Quickly he pulled two small photographs from his vest pocket and handed them to Peter. One was Bird with his mustache and creeping-ivy, enormous Dundreary whiskers, the other a smooth-shaven man, hair close-cropped, but the eyes—who could mistake those piggishly squinting eyes?

"Turn it over." Peter obeyed and read a penciled notation, "John Ryder, alias Harry Goodman, alias Benjamin Arnold, etc. Credit criminal, master of arson ring."

"By Juniper!" Peter snapped his jaw with a sharp click.

In the weeks that passed, Peter lived in a new world. His old friends the ledgers grew dusty or were thumbed over by an assistant. He made frequent trips, contributed liberally to the Bird prosecution fund and when called to the witness stand answered each question boldly and effectively.

Then one day when again he had

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perched himself on the high stool to finish the yearly balance sheet, a clerk handed him a letter. Peter slit open the envelope and took out a check for \$7000.00, Moss & Perkin's share in the final distribution of Bird's cached creditors' property.

Peter climbed down from his stool. Clenching his fists deep in his pocket, he walked to the dust covered window, rubbed clean a tiny circle and looked out. His breath was coming in short, quick gasps, his heart pounding on all four with dangerous vibration. Peter climbed back on the stool turned to *Profit and Loss*. With eager fingers he seized a pen and in bold red letters made this credit entry:

Peterkin vs. Bird....\$3,000.00

Then he flipped back the pages until he came to a clean, unused sheet. At the top he printed in blue ink EDUCATION. Underneath he carefully made this debit entry:

Peterkin vs. Bird.....\$3,000.00

—blotted it, and slammed the book shut. He reached for the check book and, while he wrote, all the ancient dreams of greatness came back to him, all the Peters of historic fame, all the glory that had been Peter-shed in the annals of mankind. Quivering with the memory of these he wrote on the line *Pay to the order of* "Benj. J. Tooley, Treas., R. C. M. A., \$1000.00." On the voucher he printed: "For national prosecution fund." In bold, black letters he signed the check and, still dreaming of the Peters magnificent, he hurried to old Perkins' office. With a word of explanation he laid the check in front of him and asked for his counter-signature.

Without a moment's hesitation old Perkins scratched his name under Peter's. "Exactly right," he said, as he signed. Then he paused, studied it a moment, and with a quizzical smile returned it to his partner. "But—but Peter; by Gad, sir; look how you signed it!"

Peter took the proffered check, adjusted his spectacles and wrinkled his brows as with parted lips he re-read the line which ended with *Treasurer*.

"By Juniper! By Juniper!" he said.

The signature read *Peter the Great*.

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